



**CITY OF TSHWANE METROPOLITAN MUNICIPALITY**  
***Annual Financial Statements***  
***for the year ended 30 June 2020***

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## General Information

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<b>Legal form of entity</b>	Category A municipality in terms of Section 1 of the Local Government: Municipal Structures Act, 1998 (Act 117 of 1998) read with Section 155(1) of the Constitution of the Republic of South Africa, 1996
<b>Nature of business and principal activities</b>	<p>The principal activities of the City of Tshwane Metropolitan Municipality are to:</p> <ul style="list-style-type: none"><li>• Provide democratic and accountable government to the local communities;</li><li>• Ensure sustainable services delivery to communities;</li><li>• Promote social and economic development;</li><li>• Provide local communities equitable access to the municipal services;</li><li>• Promote and undertake development in the municipality;</li><li>• Promote a safe and healthy environment; and</li><li>• Encourage the involvement of communities in local government affairs.</li></ul>
<b>Lead Administrator</b>	Mpho Nawa
<b>Administrator</b>	Lesedi Mere Lefadi Makibinyane Rianda Kruger Lebogang Mahaye Gilberto Martins Thuli Mashanda Shiva Makotoko Mavela Alford Dlamini
<b>Executive Mayor</b>	Stevens Mokgalapa (resigned February 2020)
<b>Speaker</b>	Rachel Katlego Mathebe (resigned 21 March 2020)
<b>Chief Whip</b>	Christiaan M van den Heever (resigned 21 March 2020)
<b>Mayoral committee</b> Members	<p>July 2019- 21 March 2020</p> <p>Mare-Lise Fourie (Ms) (MMC: Financial Services) Anniruth Kissoonduth (Derrick) (MMC: Health Services) Dana Wannenburg (MMC: Environment and Agriculture Management) Karen Meyer (MMC: Community Safety and Emergency Services) Abel Matshidiso Tau (MMC: Utility Services) Richard Moheta (MMC: Human Capital Management and Shared Services) Isak Petrus du Plooy (MMC: Community and Social Development Services) Isak Jacobus Pietersen (MMC: Economic Development and Spatial Planning) Samuel Maimane (MMC: Housing and Human Settlement) (from 3 July 2019) Sheila Lynn Senkubuge (Ms) (MMC: Roads and Transport)(resigned 30 November 2019)</p>
<b>Grading of local authority</b>	Category A Grade 6 urban municipality (demarcation code - TSH)
<b>Accounting Officer</b>	Mmaseabata Mutlaneng (acting) Telephone: 012 358 4901
<b>Chief Financial Officer (CFO)</b>	Umar Banda CA (SA) Telephone: 012 358 8100
<b>Registered office</b>	Tshwane House 320 Madiba Street PRETORIA 0002
<b>Postal address</b>	PO Box 408 PRETORIA

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## General Information

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<b>Bankers</b>	ABSA
<b>Auditors</b>	Auditor-General South Africa (AGSA)
<b>Legislation governing the Municipality's operations</b>	Local Government: Municipal Finance Management Act (Act 56 of 2003) Local Government: Municipal Systems Act (Act 32 of 2000) Local Government: Municipal Structures Act (Act 117 of 1998) Housing Act (Act 107 of 1997) Constitution of the Republic of South Africa, 1996 Property Rates Act (Act 6 of 2004) Division of Revenue Act (Act 3 of 2016)
<b>Entities to be consolidated at year end</b>	Consistent with the prior financial year the following municipal entities will be included in the Consolidated Annual Financial Statements: Housing Company Tshwane NPC (Registration nr 2001/029821/08) Tshwane Economic Development Agency Soc Ltd (TEDA) (Registration nr 2006/019396/07)
<b>Entities dormant</b>	Sandspruit Works Association Soc Ltd (Registration nr 1999/019160/08). Was disestablished on 30 June 2017 in terms of Council Resolution of 27 October 2016. Final deregistration dated 14 February 2019.

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

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The reports and statements set out below comprise the Unaudited Annual Financial Statements presented to the Council:

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# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

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AGSA	Auditor-General South Africa
AARTO	Administrative Adjudication of Road Traffic Offences
CFO	Chief Financial Officer
COGTA	Department of Co-operative Governance and Traditional Affairs
COID	Compensation for Occupational Injuries and Diseases
COO	Chief Operations Officer
DBSA	Development Bank of South Africa
DME	Department of Minerals and Energy
DoRA	Division of Revenue Act
DPSA	Department of Public Service and Administration
EPWP	Expanded Public Works Programme
FMG	Finance Management Grant
GDoT	Gauteng Department of Transport
GLGH	Gauteng Local Government and Housing
GRAP	Generally Recognised Accounting Practice
GSO	Governance and Support Officer
HCT	Housing Company Tshwane
IAS	International Accounting Standards
IASB	International Accounting Standard Board
IPSAS	International Public Sector Accounting Standard
MEC	Member of the Executive Committee
MFMA	Municipal Financial Management Act
MIG	Municipal Infrastructure Grant
MPRA	Municipal Property Rates Act
NDPG	Neighbourhood Development Partnership Grant
PTNOG	Public Transport Network Operating Grant
RTMC	Road Traffic Management Corporation
SALGA	South African Local Government Association
TEDA	Tshwane Economic Development Agency
UIF	Unemployment Insurance Fund
USDG	Urban Settlement Development Grant
VAT	Value Added Tax

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Accounting Officer's Responsibilities and Approval

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The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The Auditor-General are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board and as required by the Local Government: Municipal Finance Management Act, 2003.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that she is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2021 and, in the light of this review and the current financial position, she is satisfied that the municipality has adequate resources or has access to such resources to continue operating for the foreseeable future.

The annual financial statements set out on pages 5 to 173, which have been prepared on a going concern basis, were approved and signed by the accounting officer on 31 October 2020.

I certify that the salaries, allowances and benefits of councillors and payments made to councillors for loss of office, if any, as disclosed in Note 35 of these financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Governments's determination in accordance with this Act.

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**Mmaseabata Mutlaneng**  
**(Acting) City Manager**

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**Umar Banda CA(SA)**  
**Chief financial officer**

**Pretoria**

**Saturday, 31 October 2020**

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

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Mmaseabata Mutlaneng  
(Acting) City Manager



Umar Banda CA(SA)  
Chief financial officer

Pretoria

Saturday, 31 October 2020

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Statement of Financial Position as at 30 June 2020

		2020	2019 Restated*
	Note(s)		
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	3	698 751 682	718 880 669
Consumer receivables from exchange transactions	4	4 978 842 969	3 885 876 553
Consumer receivables from non-exchange transactions	4	1 172 845 667	980 798 075
Other receivables from exchange transactions	5	837 560 319	932 717 956
Other receivables from non-exchange transactions	5	344 212 201	332 006 234
Long-term receivables: Short term portion	6	132 119 244	111 175 936
Redemption fund asset	7	1 329 639 759	888 647 222
Investments	8	631 159 289	3 619 286 445
Cash and bank	9	216 844 655	258 404 158
		<b>10 341 975 785</b>	<b>11 727 793 248</b>
<b>Non-Current Assets</b>			
Long-term receivables: Long-term portion	6	1 658 296	43 911 767
Redemption fund asset	7	466 851 283	284 066 583
Property, plant and equipment	10	41 143 130 351	40 141 284 263
Investment property	11	1 068 248 858	1 068 664 091
Intangible assets	12	796 203 444	698 505 577
Heritage assets	13	3 372 111 069	3 372 111 070
Interest rate swaps	14	31 298 484	-
Investments in municipal entities	41	1 000	1 000
		<b>46 879 502 785</b>	<b>45 608 544 351</b>
<b>Total Assets</b>		<b>57 221 478 570</b>	<b>57 336 337 599</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables from exchange transactions	15	8 381 582 616	7 276 881 974
VAT payable	16	2 023 746 716	2 445 901 619
Consumer deposits	17	673 376 886	558 775 598
Unspent conditional grants and receipts	18	486 607 374	296 901 711
Loans and bonds	19	746 696 839	906 627 762
Finance lease obligation	20	333 096 282	321 161 158
Employee benefit obligation	21	198 677 412	163 162 670
Service concession arrangement	23	249 166 667	242 016 667
Employee benchmark obligation		852 484 577	-
Councillors remuneration obligation		21 069 249	-
		<b>13 966 504 618</b>	<b>12 211 429 159</b>
<b>Non-Current Liabilities</b>			
Interest rates swaps	14	413 339 043	219 999 785
Loan and bonds	19	11 347 537 099	10 663 063 567
Finance lease obligation	20	259 106 534	507 506 766
Employee benefit obligation	21	1 665 376 886	1 672 265 229
Provisions	22	1 343 725 259	1 007 468 013
Service concession arrangement	23	1 961 384 293	1 708 781 631
		<b>16 990 469 114</b>	<b>15 779 084 991</b>
<b>Total Liabilities</b>		<b>30 956 973 732</b>	<b>27 990 514 150</b>
<b>Net Assets</b>		<b>26 264 504 838</b>	<b>29 345 823 449</b>
Accumulated surplus	25&24	26 264 504 838	29 345 823 449

\* See Note 62



# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Statement of Financial Performance for the period ended 30 June 2020

		2020	2019 Restated*
	Note(s)		
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	26	18 360 974 164	18 609 258 394
Rental of facilities and equipment		116 048 135	140 766 860
Interest received - outstanding consumer debtors		808 330 586	860 736 503
Licences and permits		37 338 520	46 618 296
Other income	28	736 405 581	737 041 682
Investment revenue	29	235 584 312	391 948 285
Gain on foreign exchange transactions	30	104 860	361 654
Gain on redemption fund investment		182 784 700	110 492 276
<b>Total revenue from exchange transactions</b>		<b>20 477 570 858</b>	<b>20 897 223 950</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	27	7 457 434 560	7 116 482 763
<b>Transfer revenue</b>			
Government grants, subsidies, awards and donations	32	6 185 522 134	6 514 814 403
Public contributions and donations		93 432 741	151 700 328
Fines, penalties and forfeits	33	195 091 556	314 688 657
<b>Total revenue from non-exchange transactions</b>		<b>13 931 480 991</b>	<b>14 097 686 151</b>
<b>Total revenue</b>		<b>34 409 051 849</b>	<b>34 994 910 101</b>
<b>Expenditure</b>			
Employee related cost	34&36	(11 615 144 639)	(9 050 783 953)
Remuneration of councilors	35	(126 485 895)	(126 684 958)
Depreciation and amortisation	37	(2 076 519 340)	(2 082 518 594)
Impairment of assets	38	(59 947 396)	(212 691 197)
Finance costs	39	(1 511 565 646)	(1 493 696 902)
Debt Impairment	42	(3 095 462 994)	(1 803 186 397)
Other materials	77	(570 785 666)	(554 889 397)
Bulk purchases	43	(11 960 621 471)	(10 777 375 305)
Contracted services	44	(3 695 762 532)	(3 290 660 607)
Transfers and subsidies	45	(144 933 696)	(137 168 303)
Loss on disposal of assets and liabilities		(43 149 991)	(66 867 224)
Fair value adjustments	31	(161 499 310)	(197 395 260)
General expenses	47	(2 279 363 635)	(2 573 666 413)
<b>Total expenditure</b>		<b>(37 341 242 211)</b>	<b>(32 367 584 510)</b>
<b>(Deficit) surplus for the year</b>		<b>(2 932 190 362)</b>	<b>2 627 325 591</b>

\* See Note 62

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Statement of Changes in Net Assets for the period ended 30 June 2020

	Accumulated surplus	Total net assets
Opening balance as previously reported	26 718 501 870	26 718 501 870
<b>Balance at 01 July 2018 as restated*</b>	<b>26 718 501 870</b>	<b>26 718 501 870</b>
Changes in net assets		
Surplus for the year	2 627 325 591	2 627 325 591
Total changes	2 627 325 591	2 627 325 591
Opening balance as previously reported	27 637 049 180	27 637 049 180
Prior year adjustments (refer to Note 24 and 59)	323 280 557	323 280 557
<b>Balance at 1 July 2019 as restated*</b>	<b>29 356 854 888</b>	<b>29 356 854 888</b>
Net income (losses) recognised directly in net assets	(160 159 688)	(160 159 688)
Surplus for the year	(2 932 190 362)	(2 932 190 362)
Total changes	(3 092 350 050)	(3 092 350 050)
<b>Balance at 30 June 2020</b>	<b>26 264 504 838</b>	<b>26 264 504 838</b>
Note(s)	24&62	

\* See Note 62

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Cash Flow Statement for the period ended 30 June 2020

		2020	2019 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Cash receipts from other revenue sources		259 270 432	143 655 500
Cash receipts from ratepayers and service charges		22 657 422 611	25 368 849 009
Grants: Operating		4 491 771 985	4 269 322 608
Grants: Capital		1 971 078 630	2 089 119 435
Interest income		235 584 312	384 814 011
		<u>29 615 127 970</u>	<u>32 255 760 563</u>
<b>Payments</b>			
Cash paid to employees		(10 573 143 197)	(9 001 026 710)
Cash paid to suppliers		(17 167 720 093)	(16 884 411 132)
Finance costs		(1 511 565 646)	(1 538 339 648)
Transfers and grants		(144 933 696)	(137 168 303)
		<u>(29 397 362 632)</u>	<u>(27 560 945 793)</u>
<b>Net cash flows from operating activities</b>	49	<u><b>217 765 338</b></u>	<u><b>4 694 814 770</b></u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(2 695 846 078)	(3 408 560 893)
Proceeds on disposal of assets		4 650 431	34 223 619
Purchase of investment property		(11 780 156)	-
Purchase of other intangible assets		(132 215 451)	(5 759 597)
Movement in long-term receivables		21 879 040	18 723 201
Movement in financial assets		857 741 838	(331 816 403)
Capital contribution to redemption fund		(440 992 537)	(467 570 833)
<b>Net cash flows from investing activities</b>		<u><b>(2 396 562 913)</b></u>	<u><b>(4 160 760 906)</b></u>
<b>Cash flows from financing activities</b>			
Proceeds from other financial liabilities		1 500 000 000	1 500 000 000
Repayment of other financial liabilities	19	(936 763 721)	(746 880 320)
Repayment of service concession arrangements		(207 855 650)	(221 326 797)
Movement in other liability		-	(29 689 647)
Finance lease repayments	20	(348 527 876)	(322 863 793)
<b>Net cash flows from financing activities</b>		<u><b>6 852 754</b></u>	<u><b>179 239 443</b></u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<u><b>(2 171 944 820)</b></u>	<u><b>713 293 307</b></u>
Cash and cash equivalents at the beginning of the year		3 019 528 630	2 306 235 323
<b>Cash and cash equivalents at the end of the year</b>	9	<u><b>847 583 810</b></u>	<u><b>3 019 528 630</b></u>

\* See Note 62

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Statement of comparison of budget and actual amounts for the financial year ended 30 June 2020

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council- approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>2020</b>											
<b>Financial Performance</b>											
Property rates	7 490 492 531	(26 681 259)	7 463 811 272	-		7 463 811 272	7 457 434 560		(6 376 712)	100 %	100 %
Service charges	20 605 313 414	(47 049 703)	20 558 263 712	-		20 558 263 712	18 360 974 164		(2 197 289 548)	89 %	89 %
Investment revenue	196 254 242	-	196 254 242	-		196 254 242	235 584 312		39 330 070	120 %	120 %
Transfers recognised - operational	4 726 160 457	302 531 777	5 028 692 234	-		5 028 692 234	4 710 631 770		(318 060 464)	94 %	100 %
Other own revenue	2 422 988 215	-	2 422 988 215	-		2 422 988 215	2 169 536 679		(253 451 536)	90 %	90 %
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>35 441 208 859</b>	<b>228 800 815</b>	<b>35 670 009 675</b>	<b>-</b>		<b>35 670 009 675</b>	<b>32 934 161 485</b>		<b>(2 735 848 190)</b>	<b>92 %</b>	<b>93 %</b>
Employee costs	(10 444 652 495)	(165 347 000)	(10 609 999 495)	-	(214 000 000)	(10 823 999 495)	(11 615 144 638)	-	(791 145 143)	107 %	111 %
Remuneration of councillors	(142 093 151)	-	(142 093 151)	-	-	(142 093 151)	(126 485 895)	-	15 607 256	89 %	89 %
Debt impairment	(1 639 519 100)	-	(1 639 519 100)	-		(1 639 519 100)	(3 095 462 994)	-	(1 455 943 894)	189 %	189 %
Depreciation and asset impairment	(2 130 502 326)	9 870	(2 130 492 456)	-		(2 130 492 456)	(2 136 466 736)	-	(5 974 280)	100 %	100 %
Finance charges	(1 502 183 707)	116 072 559	(1 386 111 148)	-	-	(1 386 111 148)	(1 511 565 646)	-	(125 454 498)	109 %	101 %
Materials and bulk purchases	(12 800 702 055)	(151 953 033)	(12 952 655 088)	-	4 247 507	(12 948 407 581)	(12 531 407 137)	-	417 000 444	97 %	98 %
Contracted Services	(4 069 242 493)	(280 986 254)	(4 350 228 747)	-	207 840 019	(4 142 388 728)	(3 695 762 532)	-	446 626 196	89 %	91 %
Transfers and subsidies	(163 190 835)	5 224 591	(157 966 244)	-	-	(157 966 244)	(144 933 696)	-	13 032 548	92 %	89 %
Loss on Disposal of PPE	-	(182 241)	(182 241)	-	-	(182 241)	(43 149 991)	-	(42 967 750)	23 677 %	- %
Other expenditure	(2 529 600 775)	248 360 700	(2 281 240 075)	-	1 912 474	(2 279 327 601)	(2 279 363 635)	-	(36 034)	100 %	90 %
fair value adjustment	-	-	-	-	-	-	(161 499 310)	-	(161 499 310)	- %	DIV/0 %
<b>Total expenditure</b>	<b>(35 421 686 937)</b>	<b>(228 800 808)</b>	<b>(35 650 487 745)</b>	<b>-</b>	<b>-</b>	<b>(35 650 487 745)</b>	<b>(37 341 242 210)</b>	<b>-</b>	<b>(1 690 754 465)</b>	<b>105 %</b>	<b>105 %</b>
<b>Surplus/(Deficit)</b>	<b>19 521 922</b>	<b>7</b>	<b>19 521 930</b>	<b>-</b>		<b>71 320 497 420</b>	<b>(4 407 080 725)</b>		<b>(4 426 602 655)</b>	<b>(6)%</b>	<b>(22 575)%</b>
Transfers recognised - capital (monetary National/Provincial)	2 203 953 010	(521 696 788)	1 682 256 222	-		1 682 256 222	1 474 039 328		(208 216 894)	88 %	67 %
Transfers recognised - capital (monetary – Departmental agencies)	30 000 000	7 000 000	37 000 000	-		37 000 000	851 036		(36 148 964)	2 %	3 %
<b>Surplus/(Deficit) for the year</b>	<b>2 253 474 932</b>	<b>(514 696 783)</b>	<b>1 738 778 149</b>	<b>-</b>		<b>-</b>	<b>(2 932 190 361)</b>		<b>(2 932 190 361)</b>	<b>DIV/0 %</b>	<b>(130)%</b>

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Statement of comparison of budget and actual amounts

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council-approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>Capital expenditure and funding sources</b>											
<b>Sources of capital funds</b>											
Transfers recognised - capital	2 213 953 010	(522 613 249)	1 691 339 761	-	-	1 691 339 761	1 490 448 992		(200 890 769)	88 %	67 %
Public contributions	170 000 000	(5 182 470)	164 817 530	-	-	164 817 530	145 344 059		(19 473 471)	- %	- %
Borrowing	1 500 000 000	-	1 500 000 000	-	-	1 500 000 000	1 080 893 588		(419 106 412)	72 %	72 %
Internally generated funds	159 843 129	(2 844 863)	156 998 266	-	-	156 998 266	123 155 046		(33 843 220)	78 %	77 %
	-	-	-	-	-	-	-		-	DIV/0 %	DIV/0 %
<b>Total sources of capital funds</b>	<b>4 043 796 139</b>	<b>(530 640 582)</b>	<b>3 513 155 557</b>	<b>-</b>	<b>-</b>	<b>3 513 155 557</b>	<b>2 839 841 685</b>		<b>(673 313 872)</b>	<b>81 %</b>	<b>70 %</b>
<b>Cash flows</b>											
Net cash from (used) operating	4 656 579 085	(2 350 537 214)	2 306 041 871	-	-	2 306 041 871	217 765 338		(2 088 276 533)	9 %	5 %
Net cash from (used) investing	(4 322 214 791)	772 699 554	(3 549 515 237)	-	-	(3 549 515 237)	(2 396 562 913)		1 152 952 324	68 %	55 %
Net cash from (used) financing	469 284 382	135 348 328	604 632 710	-	-	604 632 710	6 852 754		(597 779 956)	1 %	1 %
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>803 648 676</b>	<b>(1 442 489 332)</b>	<b>(638 840 656)</b>	<b>-</b>	<b>-</b>	<b>(638 840 656)</b>	<b>(2 171 944 821)</b>		<b>(1 533 104 165)</b>	<b>340 %</b>	<b>(270)%</b>
	3 537 943 204	(3 537 943 204)	-	-	-	-	3 019 528 630		3 019 528 630	DIV/0 %	85 %
<b>Cash and cash equivalents at year end</b>	<b>4 341 591 880</b>	<b>(2 035 571 795)</b>	<b>2 306 020 085</b>	<b>-</b>	<b>-</b>	<b>2 306 020 085</b>	<b>847 583 810</b>		<b>1 458 436 275</b>	<b>37 %</b>	<b>20 %</b>

The explanations for major variances between the budget and the actual for the period under review are done in Note 66.

The explanations for changes between the original budget and the final budget for the period under review are done in Note 66.

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Summary of significant accounting policies

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### 1. Basis of preparation of annual financial statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003). The accounting framework as prescribed is determined in Directive 5 issued by the Accounting Standards Board.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, is disclosed below. Certain accounting policies are supported by reasonable and prudent judgements and estimates.

#### 1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality and amounts have been rounded to the nearest Rand.

#### 1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months. Refer to note 59. The basis presumes that funds will be available for future operations and that the realisation of assets and settlement of liabilities, contingent liabilities and commitments will occur in the ordinary course of business.

#### 1.3 Transfer of functions between entities under common control

##### Assets acquired [transferred] and liabilities assumed [relinquished]

The recognition of assets and liabilities is subject to the following conditions:

The assets acquired and the liabilities assumed are part of what had been agreed in terms of the binding arrangement (if applicable), rather than the result of separate transactions.

##### Other criteria for the entity (as acquirer)

The assets acquired and liabilities assumed that qualify for recognition as set out in the binding arrangement meets the definitions of assets and liabilities in the Framework for the Preparation and Presentation of Financial Statements and the recognition criteria in the applicable Standards of GRAP at the transfer date.

Costs that the municipality expects, but which it is not obliged to incur in the future to effect its plan to exit an activity of the transferor or to terminate the employment of, or relocate the transferor's employees, are not accounted for as part of the liabilities at the transfer date. The municipality does not recognise those costs as part of a transfer of functions. Instead, the municipality recognises these costs in its annual financial statements after the transfer has occurred, in accordance with the applicable Standards of GRAP.

##### Accounting by the entity as acquirer

###### Initial recognition and measurement

As of the transfer date, the municipality recognises the purchase consideration paid to the transferor and all the assets acquired and liabilities assumed in a transfer of functions. The assets acquired and liabilities assumed are measured at their carrying amounts.

The difference between the carrying amounts of the assets acquired, the liabilities assumed and the consideration paid to the transferor is recognised in accumulated surplus or deficit.

###### Acquisition-related costs

The entity accounts for acquisition-related costs as expenses in the period in which the costs are incurred and the services are received, with the exception of the costs incurred to issue debt or equity securities, which are recognised in accordance with the Standard of GRAP on Financial Instruments.

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Summary of significant accounting policies

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### 1.3 Transfer of functions between entities under common control (continued)

#### Subsequent measurement

The municipality subsequently measures any assets acquired and any liabilities assumed in a transfer of functions in accordance with the applicable Standards of GRAP.

At the transfer date, the municipality classifies or designates the assets acquired and liabilities assumed as necessary to apply other Standards of GRAP subsequently. The municipality makes those classifications or designations on the basis of the terms of the binding arrangement, economic conditions, its operating or accounting policies and other relevant conditions that exist at the transfer date. An exception is that the municipality classifies the following contracts on the basis of the contractual terms and other factors at the inception of the contract (or, if the terms of the contract have been modified in a manner that would change its classification, at the date of that modification, which might be the transfer date):

- classification of a lease contract as either an operating lease or a finance lease in accordance with the Standard of GRAP on Leases; and
- classification of a contract as an insurance contract in accordance with the International Financial Reporting Standard on Insurance Contracts.

### 1.4 Significant judgements and sources of estimation uncertainty

The preparation of these financial statements in conformity with GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the City of Tshwane's accounting policies. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in the notes to the financial statements where applicable.

#### Receivables /Investments and/or loans

The municipality assesses its trade receivables, investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, judgements has to be made as to whether there were observable data indicating a measurable decrease in the estimated future cash flows from a financial asset. The impairment is measured at the reporting date taking into account the different classes of debtors and the history of payment success of debtors.

#### Impairment of consumer receivables, long-term receivables and other receivables

The municipality assesses its consumer debtors, other receivables and long-term receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, judgements have to be made as to whether there were observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The municipality has developed a detailed impairment model used for assessing whether there is objective evidence that consumer debtors, housing receivables and long-term receivables should be impairments. The impairment model is in line with the requirements of GRAP 104, as it categorises debtors into similar credit risk characteristics and assesses them for impairment.

The Municipality employed the services of a professional actuary to calculate the present value of the future cash flows of the receivables discounted at the receivables' original effective rate. The Projected Unit Credit discounted cash flow method was used in calculating the present value of the future cash flows. Prior payment patterns were considered to calculate the probability of debt being repaid in future periods, with the necessary adjustments. In determining these assumptions, it was assumed the payments per account in the payment data provided were first allocated to the oldest debt incorporated. A discount rate assumption of 10,25% to discount future cash flows to 30 June 2020 was used.

#### Probability to debt

The ultimate impact of COVID-19 on the economy and debt collections is highly uncertain with an anticipated decrease in the of City of Tshwane's debt repayments and ultimate increase in impairments. The City has partly implicitly allowed for this impact by updating and calculating the repayment probabilities considering payments made during the pandemic. This however is expected to only partially allow for the long-term impact of COVID-19. The City has therefore shown the potential impact of the pandemic by considering more severe assumptions. Prior payment patterns are used to calculate the probability of debt being repaid in future periods, with the necessary adjustments. We have weighted the probabilities more to payments for the year ended 30 June 2020 than previous years. This implicitly allows for the lower payments as a result of COVID-19, which occurred from April to June 2020. It was assumed that the payments per account in the payment data provided were first allocated to the oldest debt incorporated in the age analyses provided. In order to project the impact of COVID-19, we have adjusted the repayment probabilities per risk category after considering prior payment patterns before and during the pandemic in order to foresee the future within each category.

#### Allowance for slow moving, damaged and obsolete stock

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Summary of significant accounting policies

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### 1.4 Significant judgements and sources of estimation uncertainty (continued)

An allowance is made for stock to be written down to the lower of cost or net realisable value. Management has made estimates of the selling price and direct cost to sell on certain inventory items. In cases of inventories held for distribution through a non-exchange transaction or held for consumption in the production process of goods to be distributed at no charge or for a nominal charge, the write-down is the lower of cost and current replacement cost. The write down is included in the operational surplus (general expense). Refer to note 3.

#### Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example over-the-counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

#### Impairment of non-cash-generating assets

The Municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Municipality then estimates the recoverable service amount of the non-cash-generating asset. The recoverable service amount of non-cash-generating assets has been determined on the higher of value-in-use calculations and fair value less cost to sell. These calculations require the use of estimates and assumptions.

The excess of the carrying amounts over the recoverable service amount is recognised as impairment loss in the statement of financial performance.

#### Provisions

Management's judgement is required when recognising and measuring provisions as well as contingent liabilities and contingent assets. Provisions are raised based on the information available to management, and past knowledge. A provision is recognised when the municipality has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, and the amount of the obligation can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

The estimates are discounted at a discount rate that reflects current market assessments of the time value of money. Additional disclosure of these estimates of provisions are included in note 22.

#### Useful lives of Assets (property, plant and equipment ,investment and intangible assets)

The municipality's management determines the estimated useful lives and related depreciation and amortisation charge for assets. This estimate is based on industry norm. The industry norm is adjusted for the municipality's specific considerations. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

#### Post-retirement benefits

The present value of the post-retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post-retirement obligations.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 21.

#### Effective interest rate

The municipality used the weighted average cost of capital (WACC) to discount future cash flows in the calculation of provisions (refer to Note 22).

The municipality has certain borrowings which are linked to the Jibar rate which fluctuated from 6.15% to 8.733% for the year under review. Refer to Note 19.

#### Budget information

The municipality deems a 10% deviation on operational revenue and expenditure and a 5% or more for capital expenditure between budget and actual amounts to be material. These percentages are based on management's estimate and is considered to be appropriate. All material differences are explained in the notes to the annual financial statements.



# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Summary of significant accounting policies

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### 1.5 Biological assets (game) - disclosed under property, plant and equipment

Biological assets (game) - disclosed under property, plant and equipment - are measured at their fair value less point-of-sale costs. These animals do not form part of agricultural activity and are therefore classified as part of Property, Plant and Equipment in terms of GRAP 17 and not GRAP 27. In terms of paragraph 42 of GRAP 17 a class of property, plant and equipment is a grouping of assets of a similar nature or function in an entity's operations. This class of property, plant and equipment are however not measured at cost as the rest of the assets under property, plant and equipment, but are measured at fair value.

The fair value of livestock is determined based on market prices of livestock of similar age, breed, and genetic merit as at year end. The increase or decrease in the fair value is then recognised as a fair value gain or loss in the statement of financial performance.

A gain or loss arising on initial recognition of biological assets is disclosed under property, plant and equipment - is included as a surplus or deficit for the period in which it arises.

Biological assets are derecognised when the municipality disposes thereof or when it is no longer probable that future economic benefits or service potential will be generated from the biological asset. Any gain or loss that arises at the point of derecognition is recognised in surplus or deficit at the point of derecognition.

### 1.6 Investment property

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Land held for a currently undetermined future use is recognised as investment property.

The gain or loss on the disposal or retirement of investment property is determined as the difference between the sales proceeds and the carrying value of the asset on the date of disposal and is recognised in the surplus or deficit for the year.

In terms of GRAP 16: Investment property, all useful lives of investment properties are reviewed annually on an indicator basis.

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost by equal installments over the useful life of the property, which is as follows:

Item	Useful life (years)
Property - land	Indefinite
Property - buildings	6 - 50

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property (property, plant and equipment), the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see Note 11).

The municipality discloses relevant information relating to assets under construction or development in the notes to the annual financial statements (see Note 11).

### 1.7 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Summary of significant accounting policies

### 1.7 Property, plant and equipment (continued)

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment where the municipality is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Compensation from third parties for an item of property, plant and equipment that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Depreciation is calculated at cost, using the straight-line method over the estimated useful lives of the assets. The residual value, depreciation method and useful life, if not significant, are reassessed annually on an indicator basis with the effect of any changes in estimate accounted for on a prospective basis.

Asset category	Depreciation method	Useful life (years)
<b>Land</b>	Not depreciated	Indefinite
<b>Infrastructure</b>	Straight line	
• Roads and storm water		4 - 60
• Electricity		5 - 65
• Water		4 - 100
• Sewer		1 - 100
• Solid waste		9 - 17
• Network and telecommunication		2 - 37
• Waste water purification works		4 - 100
• Security		1 - 41
• Airport		5 - 56
<b>Community</b>	Straight line	
• Buildings		2 - 60
• Recreational facilities		4 - 51
• Library books		4 - 15
<b>Other property, plant and equipment</b>	Straight line	
• Furniture and fittings		1 - 41
• Water craft		2 - 16
• Office equipment		1 - 41
• Plant and equipment		1 - 41
• Buildings		1 - 61
• Specialised vehicles		1 - 46
• Other vehicles		1 - 106
• Computer equipment		1 - 45
• Livestock		7 - 16
• Other equipment		1 - 42
• Books		3 - 16

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Summary of significant accounting policies

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### 1.7 Property, plant and equipment (continued)

<b>Housing</b>	Straight line	15 - 91
• Housing		
<b>Service concession</b>	Straight line	25
• Building (Tshwane House)		
<b>Leased assets</b>	Straight line	3-20
• Vehicles, equipment, etc		

The Data Dictionary contained in the Asset Management Policy contains the details of the components and their specific useful life estimates.

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

The residual value and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the charge is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the municipality to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential is expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date on an indicator basis and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sells as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see Note 10).

The municipality discloses relevant information relating to assets under construction or development in the notes to the financial statements (see Note 10).

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits or service potential over the total life of the asset in excess of the most recently assessed standard of performance of the existing asset will flow to the municipality. All other repairs and maintenance are charged to surplus or deficit for the year in which they are incurred.

The municipality tests for impairment where there is an indication that an asset might be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount) it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to surplus or deficit for the year.

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is ready for use.

### 1.8 Site rehabilitation and restoration

The municipality has an obligation to rehabilitate and restore items of property, plant and equipment. Such obligations are referred to as 'rehabilitation provisions'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of rehabilitation and restoring the site on which it is located, the obligation for which a municipality incurs such costs when the item is a consequence of having used the item during a particular period.

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Summary of significant accounting policies

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### 1.8 Site rehabilitation and restoration (continued)

As the related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Summary of significant accounting policies

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### 1.9 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are carried at cost less accumulated amortisation and any impairment losses. Software is amortised on a straight-line-basis over its anticipated useful life. Generally, costs associated with developing computer software programs are recognised as an expense as incurred. However, costs that are clearly associated with an identifiable and unique product, which will be controlled by the municipality and have a probable benefit exceeding the cost beyond one year, are recognised as an intangible asset.

Expenditure which enhances and extends the benefits of computer software programs beyond the original life of the software is capitalised. Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives. Costs associated with the maintenance of existing computer software programs are expensed as incurred.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

In terms of GRAP 31: Intangibles, all useful lives of intangible assets are reviewed annually on an indicator basis.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, other	3 - 30 years
Servitudes	indefinite

Servitudes when registered does not expire after a period of time. There is no time condition coupled to it, therefore the indefinite useful life.

The municipality discloses relevant information relating to assets under construction or development in the notes to the financial statements (see Note 12).

The municipality discloses relevant information relating to the repair and maintenance of intangible assets in the notes to the financial statements (see Note 12).

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss (difference between the net disposal proceeds and the carrying amount) arising from the derecognition of an intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Summary of significant accounting policies

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### 1.10 Internal reserves

#### Self insurance reserve

A self-insurance reserve was established and subject to external insurance where deemed necessary, covers claims that might occur. Premiums are charged to the respective services taking into account claims history and replacement value of the insured assets.

Contributions to and from the reserve are transferred via the statement of changes in net assets to the reserve in line with the amount provided for in the operating budget.

- The total amount of insurance premiums paid to external insurers are regarded as expenses and must be shown as such in surplus or deficit for the year. These premiums do not affect the Self-insurance reserve.
- Claims received from external insurers are utilised in the calculation of a profit or loss on the scrapping of damaged assets and are therefore effectively recorded in surplus or deficit for the year.
- Claims received to meet repairs of damages on assets are reflected as income in surplus or deficit for the year.

The Self-insurance reserve is based on recognised insurance industry principles. In determining the level of capacity required an agreed methodology has been adopted. The calculation of the required capacity of the Self insurance reserve is consistently applied annually based on the following methodology:

- Determination of the forecast surplus (free) capacity within the Self-insurance reserve.
- The following liabilities are taken into account in determining this surplus capacity:  
Reported known outstanding claims and statistically forecast losses for the remainder of the underwriting period (IBNR = claims incurred but not yet reported).
- Probability and quantification of a catastrophic loss.
- Comparison of the surplus (free) capacity to the declared value of the highest service delivery asset to determine the shortfall that exist based on the assumption that sufficient capacity will be built up to cover that asset through the self-insurance reserve over an agreed period of time.
- Spread the shortfall over a 5-year period (in terms of the Long-Term Insurance Strategy).
- Adjust for inflation with the agreed relevant indices.
- Determine the annual premium contribution to reach the target capacity over a five-year period.
- Apply a probability and affordability factor to the ideal premium contribution to determine the budgeted premium contribution over a five-year period.

#### Compensation for occupational injuries and diseases (COID) reserve

The municipality has been exempted from making contributions to the Compensation Commissioner for Occupational Injuries and Diseases (COID). In terms of this exemption the municipality established a COID Reserve to offset claims from employees. Amounts are transferred to the COID reserve from the accumulated surplus based on the statutory rate of contributions set out in the Compensation for Occupational Injuries and Diseases Act, 1993 (Act 130 of 1993) as well as additional amounts deemed necessary to ensure that the balance of the reserve is adequate to offset potential claims.

Contributions to the COID reserve are based on 1% of the annual remuneration of employees that qualify for COID benefits. All employees earning more than a predetermined amount per annum are reinsured by what is called a "COID Wrap Around" policy. Claims are paid as determined by the Compensation Commissioner and are reflected in surplus or deficit for the year. Claims are settled by transferring a corresponding amount from the COID reserve to the accumulated surplus in the statement of changes in net assets.

The Compensation Commissioner required a ceded investment or guarantee. This amount is calculated annually by the Department of Labour. The municipality opted to supply the Compensation Commissioner with a bank guarantee.

### 1.11 Housing development fund

Section 15(5) and 16 of the Housing Act (Act 107 of 1997), which came into operation on 1 April 1998, require that the municipality maintain a separate housing operating account. This legislated separate operating account will be known as the Housing Development Fund. The Housing Act also requires in terms of Section 14(4)(d)(iii)(aa) read with, inter alia, Section 16(2) that the net proceeds of any letting, sale of property or alienation, financed previously from government housing funds, be paid into a separate operating account and be utilised by the municipality for housing development subject to the approval of the MEC responsible for housing. Loans from National and Provincial Government that were used to finance housing selling schemes were extinguished on 1 April 1998 and transferred to the Housing Development fund. The following provisions are set for the creation and utilisation of the Housing Development Fund:

- The Housing Development Fund must have its own separate bank account or allocated investments and must be backed by cash or related assets.
- Any contributions to or from the fund must be shown as transfers in the statement of changes in net assets.
- Interest earned on the investments backing up this fund must be recorded as part of interest earned in surplus or deficit for the year and can be transferred via the statement of changes in net assets to the Housing Development Fund.

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Summary of significant accounting policies

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### 1.12 Heritage assets

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see Note 13).

The municipality discloses relevant information relating to assets under construction or development in the notes to the financial statements (see Note 13).

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent to initial measurement heritage assets are carried at cost less any accumulated impairment losses.

The municipality assess at each reporting date whether there is an indication that a heritage asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset. Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss (the difference between the net disposal proceeds and the carrying value) arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

### 1.13 Financial instruments

The municipality has the following types of financial assets (classes and categories) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
<b>Non-exchange:</b>	
Consumer receivables: property rates	Financial asset measured at amortised cost
<b>Exchange:</b>	
Consumer receivables: services	Financial asset measured at amortised cost
Other receivables	Financial asset measured at amortised cost
Long-term receivables: Housing loans	Financial asset measured at amortised cost
Long-term receivables: Loans to sport clubs	Financial asset measured at amortised cost
Long-term receivables: Sale of land	Financial asset measured at amortised cost
Long-term receivables: Arrangement debtors	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Investments (short-term deposits of 3 months or less)	Financial asset measured at amortised cost
Investments (long-term of more than three months)	Financial asset measured at amortised cost
Interest rate swap	Financial asset measured at fair value
Redemption fund assets	Financial asset measured at fair value

The municipality has the following types of financial liabilities (classes and categories) as reflected on the face of the statement of financial position or in the notes thereto:

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Summary of significant accounting policies

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### 1.13 Financial instruments (continued)

Class	Category
<b>Exchange:</b>	
Long-term loans: Term loans	Financial liability measured at amortised cost
Long-term loans: Local registered stock	Financial liability measured at amortised cost
Long-term loans: Annuity loans	Financial liability measured at amortised cost
Long-term loans: Municipal bonds	Financial liability measured at amortised cost
Trade payables:	
Payables from exchange transactions	Financial liability measured at amortised cost
Retention creditors	Financial liability measured at amortised cost
Deposits	Financial liability measured at amortised cost
Bank overdraft	Financial liability measured at amortised cost
Lease liabilities	Financial liability measured at amortised cost
Service concession arrangement	Financial liability measured at amortised cost
Interest rate swap	Financial liability measured at fair value
Redemption fund liabilities	Financial liability measured at fair value

#### Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

#### Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability not subsequently measured at fair value.

The municipality first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the municipality analyses a concessionary loan into its component parts and accounts for each component separately. The municipality accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

#### Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost (if applicable)

All financial assets measured at amortised cost are subject to an impairment review.

The municipality does not apply hedge accounting.

#### Fair value measurement considerations

The fair value of a financial liability with a demand feature (eg a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.



# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Summary of significant accounting policies

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### 1.13 Financial instruments (continued)

#### Reclassification

The municipality does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the municipality cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the municipality reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the municipality reclassifies the instrument from cost to fair value.

#### Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

#### Impairment and uncollectability of financial assets

The municipality assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets are impaired.

#### Financial assets measured at amortised cost

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

#### Derecognition

##### Financial assets

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Summary of significant accounting policies

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### 1.13 Financial instruments (continued)

#### Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — ie when the obligation specified in the contract is discharged, cancelled, expires or waived.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

#### Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense, respectively in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

### 1.14 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

#### Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

#### Finance leases - lessee

The municipality leases certain property, plant and equipment. Leases of property, plant and equipment where the City of Tshwane assumes substantially all the risks and rewards of ownership are classified as finance leases. The municipality will not incur a foreign currency lease liability other than that allowed by the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003).

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of return on the remaining balance of the liability.

The finance lease assets are depreciated at the same rates as owned property unless the municipality will not obtain ownership. Where there is no reasonable certainty that the municipality will obtain ownership by the end of lease term, the leased assets are depreciated over the shorter of the lease and its useful life.

Any contingent rents are expensed in the period in which they are incurred.

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Summary of significant accounting policies

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### 1.14 Leases (continued)

The finance lease liabilities are derecognised when the entity's obligation to settle the liability is extinguished. The assets capitalised under the finance lease are derecognised when the entity no longer expects any economic benefits or service potential to flow from the asset.

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Summary of significant accounting policies

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### 1.14 Leases (continued)

#### Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term. The difference between the amounts recognised as revenue and the contractual receipts is recognised as an operating lease asset or liability.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

When assets are leased out under an operating lease, the asset is included in the statement of financial position based on the nature of the asset.

#### Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

Operating leases are those leases which do not fall within the scope of the above definition of finance leases. Payments made under operating leases are charged against income on a straight-line basis over the period of the lease.

The operating lease liability is derecognised when the entity's obligation to settle the liability is extinguished. The operating lease asset is derecognised when the entity no longer anticipates economic benefits to flow from the asset.

### 1.15 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Inventories (consumable stores, raw materials, work in progress and finished goods) are measured at the lower of cost and net realisable value. In general, the basis of determining cost is the weighted average cost of commodities.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Redundant and slow moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values. Consumables are written down with regard to their age, condition and utility.

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Summary of significant accounting policies

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### 1.15 Inventories (continued)

#### Water inventory:

Water is regarded as inventory when the municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes, etc). However, water in dams, that are filled by natural resources and that has not yet been treated, that is under the control of the municipality but cannot be measured reliably as there is no cost attached to the water, is therefore not recognised in the statement of financial position. The basis of determining the cost of water purchased and not yet sold at the reporting date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates.

#### Derecognition of inventory:

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### 1.16 Value added tax

The group is registered with the South African Revenue Services (SARS) for VAT on the payment basis in accordance with Section 15(2) of the VAT Act (Act 89 of 1991). The group accounts for VAT on the cash basis.

VAT output refers to tax charged by municipality and the entities on a taxable supply and is declared in the Part A of the VAT 201 return. Input tax and other deductions are deducted from the output tax liability to arrive at the net VAT payable (or refundable) for any particular tax period.

Revenue, expenses and assets are recognised net of the amount of VAT except:

- Where the VAT incurred on the purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item applicable; and
- Receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from or payable to the taxation authority is reported separate from other receivables or payables in the statement of financial position.

### 1.17 Grants-in aid (Expense)

The municipality annually awards grants to individuals and organisations based on merit. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the financial statements as expenses in the period that the events giving rise to the transfer occurred.

### 1.18 Impairment of non-cash-generating assets

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

#### Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

## Summary of significant accounting policies

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### 1.18 Impairment of non-cash-generating assets (continued)

#### Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset are determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

#### Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

#### Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

#### Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

### 1.19 Employee benefits

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Summary of significant accounting policies

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### 1.19 Employee benefits (continued)

#### Short-term employee benefits

When an employee has rendered service to the entity during a reporting period, the entity recognise the un-discounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

#### Post-employment benefits

##### Multi-employer plans and/or State plans and/or Composite social security programmes

The entity classifies a multi-employer plan and/or state plan and/or composite social security programme as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the entity accounts for in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the entity account for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the entity account for the plan as if it was a defined contribution plan.

##### Post-employment benefits: Defined contribution plans

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

##### Post-employment benefits: Defined benefit plans

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Summary of significant accounting policies

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### 1.19 Employee benefits (continued)

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefits to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:



# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Summary of significant accounting policies

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### 1.19 Employee benefits (continued)

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measures the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

#### Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
  - those changes were enacted before the reporting date; or
  - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

#### Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. The cost for the benefits will be an expense through surplus or deficit.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

### 1.20 Provisions and contingencies

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Provisions are not recognised for future operating losses.

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Summary of significant accounting policies

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### 1.20 Provisions and contingencies (continued)

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are measured at the present value of the expenditures expected to be incurred to settle the obligation. The increase in the provision due to passage of time is recognised as interest expense.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 58.

#### Levies

The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time (ie if the activity that triggers the payment of the levy, as identified by the legislation, occurs over a period of time).

If an obligation to pay a levy is triggered when a minimum threshold is reached, the corresponding liability is recognised when that minimum threshold is reached.

The municipality recognises an asset if it has prepaid a levy but does not yet have a present obligation to pay that levy.

#### The following provisions exist within the municipality:

- **Clearing of alien vegetation**

In terms of the Conservation of Agricultural Resources Act, 1983 (Act 43 of 1983) the provision for the clearing of alien vegetation was established in 2005/06 as a start to address the backlogs that exist.

- **Landfill sites**

The municipality has an obligation to rehabilitate its landfill sites in terms of its license stipulations. A provision was established from 2007/08. The amount of the provision is recognised at the present value of the expenditure expected to be required to settle the obligation and is carried at amortised cost.

- **Quarries**

In terms of the Mineral and Petroleum Resources Development Act, 2002 (Act 28 of 2002), Section 52(2)(d), the City of Tshwane is required to rehabilitate its quarries and borrow pits after these quarries and borrow pits have been closed. The amount of the provision is recognised at the present value of the expenditure expected to be required to settle the obligation and is carried at amortised cost.

- **Legal proceedings**

A provision for legal cost with regard to certain cases is created due to the fact that it was probable (more likely than not) that a present obligation exist at the reporting date and that the municipality will be liable for the legal cost in these cases. The history and nature of these cases further indicate that the liability is more of a long-term nature. The cases included in the provision are still pending and disclosing details will prejudice the position of the municipality in a dispute with other parties on the subject matter. Refer to note 22.

Certain legal claims that have arisen in the normal course of business are disclosed due to a possible outflow in settlement. The amounts disclosed as contingencies are based on the attorney's best estimates of the possible amounts payable.

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Summary of significant accounting policies

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### 1.21 Commitments

Commitments represent goods/services that have been ordered, but for which no delivery has taken place at the reporting date. These amounts are not recognised in the Statement of Financial Position as a liability or as expenditure in the Statement of Financial Performance, however are disclosed as part of the disclosure notes. Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- An official communication of an award letter to the successful service provider
- Awards should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

The Municipality discloses capital commitments in the notes to the annual financial statements. A distinction is made between approved and contracted for AND approved but not yet contracted for

The disclosure of commitments entered into before the end of the financial year/reporting date shall be done in the financial statements as prescribed in the following GRAP standards:

- GRAP 1 – Presentation of Financial Statements (GRAP 1) requires the disclosure of unrecognised contractual commitments
- GRAP 17 – Property, Plant and Equipment (GRAP 17) requires the disclosure of contractual commitments for the acquisition of property, plant and equipment
- GRAP 31 – Intangible Assets (GRAP 31) requires the disclosure of contractual commitments for the acquisition of intangible assets.

### 1.22 Revenue from exchange transactions

Revenue is recognised when it is probable that future economic benefits or service potential will flow to the municipality and these benefits can be measured reliably.

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered/goods sold, the value of which approximates the consideration received or receivable.

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction shall be recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- (a) the amount of revenue can be measured reliably;
- (b) it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- (c) the stage of completion of the transaction at the reporting date can be measured reliably;
- (d) the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

#### Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Summary of significant accounting policies

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### 1.22 Revenue from exchange transactions (continued)

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight-line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

#### Service charges

Service charges relating to electricity, water and sanitation are based on consumption. Waste removal is based on the size of the bin and the number of times it is collected. Meters are read and billed on a monthly basis and revenue is recognised when invoiced. Estimates of consumption are made monthly when meter readings have not been performed. The estimates of consumption are recognised as revenue when invoiced. Adjustments to estimates of consumption are made in the invoicing period when meters have been read. These adjustments are recognised as revenue in the invoicing period. Waste removal services are billed on a monthly basis.

#### Services provided on a prepayment basis

Various services are provided on a prepayment basis in which case no formal billing takes place and revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date.

#### Income from agency services

Income from agency services is recognised on a monthly basis, limited to the agency feed, once the income collected on behalf of agents has been quantified. The income recognised is in terms of an agency agreement. Amounts collected on behalf of the principal are accounted as a liability in the statement of financial position.

#### Housing rental and installments

Income in respect of housing rental and installments are accrued monthly in advance. Finance income from the sale of housing by way of installment sales agreements or finance leases is recognised on a time proportionate basis.

#### Collection charges

Collection charges are recognised when such amounts are incurred/earned.

#### Rental of facilities and equipment

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

#### Interest income

Revenue arising from the use by others of entity assets yielding interest is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Interest earned on investments is recognised on a time proportionate basis that takes into account the effective yield on the investments. Interest earned on outstanding debtors is recognised on a time proportionate basis.

### 1.23 Revenue from non-exchange transactions

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. A liability is recognised to the extent that the criteria, conditions or obligations have not been met.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Summary of significant accounting policies

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### 1.23 Revenue from non-exchange transactions (continued)

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

#### **Taxes (property rates for municipalities)**

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

#### **Transfers**

Transferred assets are measured at their fair value as at the date of acquisition.

#### **Fines**

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

#### **Bequests**

Bequests that satisfy the definition of an asset are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality, and the fair value of the assets can be measured reliably.

#### **Public contributions, sponsorships and donations, including goods in-kind**

Gifts, sponsorships and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

#### **Services in-kind**

The municipality recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognises the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

#### **Grants, donations and receipts**

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. A liability is recognised when the criteria, conditions or obligations have not been met.

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Summary of significant accounting policies

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### 1.24 Operating expenses

The definition of expenses encompasses expenses that arise from the ordinary activities of the entity.

Under the accrual basis of accounting, expenses are recognised when incurred, usually when goods are received or services are consumed. This may not be when the goods or services are actually paid for.

The point at which an expense is recognised is dependent on the nature of the transaction or other event that gives rise to the expense.

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Summary of significant accounting policies

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### 1.25 Translation of foreign currencies

#### Foreign currency transactions

Foreign currency transactions are translated into the functional currency of the municipality (ie SA rand) using the rate of exchange prevailing on the date of the transaction. Trade creditors denominated in foreign currency are reported at the statement of financial position date by using the exchange rate at that date. Exchange differences arising on the settlement of creditors or on reporting of creditors at rates different from those at which they were initially recorded during the period are recognised as revenue or as expense in the period in which they arise.

Where a transaction is covered by a forward exchange contract, the rate specified in the contract is used. The municipality will not incur a foreign currency liability other than that allowed by the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003).

### 1.26 Comparative amounts

Where necessary, comparative amounts have been reclassified to conform to changes in presentation in the current year. Refer to note 62

Where accounting errors have been identified in the current financial year the correction is made retrospectively as far as it is practical and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as it is practical and the prior year comparatives are restated accordingly.

The comparative amounts (accounting policy and disclosures) may not be consistent with the current year accounting policies and disclosures due to the implementation of the amended GRAP standards.

### 1.27 Unauthorised expenditure

Unauthorised expenditure means any expenditure incurred by the municipality otherwise than in accordance with Section 15 or 11(3) of the Municipal Finance Management Act (Act No. 56 of 2003), and includes:

- overspending of the total amount appropriated in the municipality's approved budget;
- overspending of the total amount appropriated for a vote in the approved budget;
- expenditure from a vote unrelated to the department or functional area covered by the vote;
- expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
- a grant by the municipality otherwise than in accordance with the Municipal Finance Management Act.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense.

The City follows the guidance provided in annexure D of MFMA Circular no 68 to account for Council decision to recover or write-off unauthorised expenditure.

### 1.28 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure means expenditure which is made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in surplus or deficit in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense.

The City follows the guidance provided in annexure D of MFMA Circular no 68 to account for Council decision to recover or write-off fruitless and wasteful expenditure.

### 1.29 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003), the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) or the Public Office Bearers Act, 1998 (Act 20 of 1998), or in contravention of the municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure.

Irregular expenditure is accounted for as an expense in surplus or deficit in the period it occurred.

The City follows the guidance provided in annexure D of MFMA Circular no 68 to account for Council decision to recover or write-off irregular expenditure.

### 1.30 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Summary of significant accounting policies

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### 1.31 Budget information

A 10% deviation on operational revenue and expenditure versus the final budget are deemed to be material and for capital expenditure the percentage deviation is 5%. This percentage is based on management's estimate and is considered to be appropriate. All material differences are explained in the notes to the annual financial statements.

The approved budget is prepared on an accrual basis and presented by economic classification linked to performance outcome objectives. The approved budget covers the fiscal period from Monday, 01 July 2019 to Tuesday, 30 June 2020.

The annual financial statements and the budget are on the same basis of accounting (ie accrual basis); therefore a comparison with the budgeted amounts for the reporting period has been included in the Statement of comparison of budget and actual amounts (appropriation statement in terms of Circular 67 of National Treasury). The Statement of comparison of budget and actual amounts has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

### 1.32 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

The City controls two municipal entities (TEDA and HCT) and has investment in joint venture (TAHSEZ). These forms part of related parties. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Management is considered a related party, and comprises Councillors, Executive Mayor, Mayoral Committee Members, City Manager and all other Section 56 and 57 employees (refer to Note 34, 35 and 36).

Close family members of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the Municipality (refer to Note 61).

The municipality discloses the nature of the related party relationship as well as information about those transactions and outstanding balances as a note to the financial statements.

### 1.33 Events after reporting date

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

### 1.34 Service concession arrangements: Entity as grantor

#### Recognition of asset and liability

The entity recognises an asset provided by the operator and an upgrade to an existing asset of the entity, as a service concession asset if the entity controls or regulates what services the operator must provide with the asset, to whom it must provide them, and at what price, and if the entity controls (through ownership, beneficial entitlement or otherwise) any significant residual interest in the asset at the end of the term of the arrangement. This applies to an asset used in a service concession arrangement for its entire economic life (a "whole-of-life" asset).

After initial recognition or reclassification, service concession assets are clearly distinguished from other assets within the same asset category, and are clearly indicated as or set aside from owned and/or leased assets.

Where the entity recognises a service concession asset, and the asset is not an existing asset of the entity (grantor), the entity (grantor) also recognises a liability.

The entity does not recognise a liability when an existing asset of the entity is reclassified as a service concession asset, except in circumstances where additional consideration is provided by the operator.



## Summary of significant accounting policies

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### 1.34 Service concession arrangements: Entity as grantor (continued)

#### Measurement of asset and liability

The entity initially measures the service concession asset as follows:

- Where the asset is not an existing asset of the entity, the asset is measured at its fair value.
- Where the asset is an existing asset of the entity and it meets the recognition criteria of a service concession asset, the asset is reclassified as a service concession asset, and the asset is accounted for in accordance with the policy on Investment property, Property, plant and equipment, Intangible assets, or Heritage assets, as appropriate.

The entity initially measures the liability at the same amount as the service concession asset, adjusted by the amount of any other consideration from the entity to the operator, or from the operator to the entity.

#### Financial liability model

Where the entity has an unconditional obligation to pay cash or another financial asset to the operator for the construction, development, acquisition, or upgrade of a service concession asset, the entity accounts for the liability as a financial liability.

The entity allocates the payments to the operator and accounts for them according to their substance as a reduction in the liability recognised, a finance charge, and charges for services provided by the operator.

The finance charge and charges for services provided by the operator in a service concession arrangement are accounted for as expenses.

Where the asset and service components of a service concession arrangement are separately identifiable, the service components of payments from the entity to the operator are allocated by reference to the relative fair values of the service concession asset and the services.

Where the asset and service components are not separately identifiable, the service component of payments from the entity to the operator is determined using estimation techniques.

#### Grant of a right to the operator model

Where the entity does not have an unconditional obligation to pay cash or another financial asset to the operator for the construction, development, acquisition, or upgrade of a service concession asset, and grants the operator the right to earn revenue from third-party users or another revenue-generating asset, the entity accounts for the liability as the unearned portion of the revenue arising from the exchange of assets between the entity and the operator.

The entity recognises revenue and reduces the liability according to the substance of the service concession arrangement.

#### Dividing the arrangement

If the entity pays for the construction, development, acquisition or upgrade of a service concession asset partly by incurring a financial liability and partly by the grant of a right to the operator, it accounts separately for each part of the total liability.

#### Other liabilities, contingent liabilities and contingent assets

The entity accounts for other liabilities, contingent liabilities and contingent assets arising from a service concession arrangement in accordance with the policy on Provisions, Contingent liabilities and contingent assets, and Financial instruments.

#### Other revenues

The entity accounts for revenues from a service concession arrangement, other than those relating to the grant of a right to the operator model, in accordance with the Standard of GRAP on Revenue from exchange transactions.

#### Recognition of the performance obligation and the right to receive a significant interest in a service concession asset

If the entity controls a significant residual interest in a service concession asset at the end of the service concession arrangement through ownership, beneficial entitlement or otherwise, and the arrangement does not constitute a finance or an operating lease, the entity recognises its right to receive the residual interest (ie a receivable) in the service concession asset at the commencement of the arrangement.

The right to receive a residual interest in the service concession asset to be received at the end of the arrangement, is an exchange consideration. This is because the entity will receive an asset in exchange for granting the operator access to the asset while providing a mandated function on its behalf in accordance with the substance of the arrangement.

In terms of the policy on Revenue from exchange transactions, the exchange consideration are recognised and measured at fair value. The value of the receivable (the right to the residual interest in the asset) receivable at the end of the service concession arrangement, reflects the value of the service concession asset as if it were already in the age and in the condition expected at the end of the service concession arrangement.

## Summary of significant accounting policies

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### 1.34 Service concession arrangements: Entity as grantor (continued)

When the entity recognises the right to receive a residual interest in the service concession asset, it also recognises its performance obligation for granting the operator access to the service concession asset in accordance with the substance of the arrangement. The value of the performance obligation is the same as the receivable interest recognised at the commencement of the service concession arrangement.

The performance obligation is reduced and revenue is recognised based on the substance of the arrangement.

Where service concession arrangements include provisions to adjust the arrangement for changes, the effect of such changes is deemed to have taken place at the inception of the service concession arrangements.

### 1.35 Interest in jointly controlled assets

In respect of its interest in jointly controlled assets, the municipality recognises in its annual financial statements:

- its share of the jointly controlled assets, classified according to the nature of the assets;
- any liabilities that it has incurred;
- its share of any liabilities incurred jointly with the other venturers in relation to the joint venture;
- any revenue from the sale or use of its share of the output of the joint venture, together with its share of any expenses incurred by the joint venture; and
- any expenses that it has incurred in respect of its interest in the joint venture.

### 1.36 Investments in Municipal Entities

In the municipality's separate annual financial statements, investments in municipal entities are carried at cost.

#### Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

#### Recognition

The municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

#### Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

#### Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

#### Accrued interest

Where the municipality levies interest on the outstanding balance of statutory receivables, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest is calculated using the nominal interest rate.

Interest on statutory receivables is recognised as revenue in accordance with the policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Summary of significant accounting policies

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### Statutory receivables (continued)

#### Other charges

Where the municipality is required or entitled in terms of legislation, supporting regulations, by-laws or similar means to levy additional charges on overdue or unpaid amounts, and such charges are levied, the entity applies the principles as stated in "Accrued interest" above, as well as the relevant policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers).

#### Impairment losses

The municipality assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:

- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced, either directly or through the use of an allowance account. The amount of the losses are recognised in surplus or deficit.

In estimating the future cash flows, a municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the entity discounts the estimated future cash flows using a rate that reflects the current risk free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Any previously recognised impairment loss is adjusted either directly or by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

#### Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
  - derecognise the receivable; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Summary of significant accounting policies

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### 1.37 Investment in joint ventures

A joint venture is a binding arrangement whereby two or more parties are committed to undertake an activity that is subject to joint control.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the ventures).

Investment in joint venture is accounted at cost in the separate financial statement of the municipality

### 1.38 Accounting by principals and agents

#### Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

#### Identifying whether an entity is a principal or an agent

When the municipality is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether an municipality is a principal or an agent requires the municipality to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

#### Binding arrangement

The municipality assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.

#### Assessing which entity benefits from the transactions with third parties

When the municipality in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If the municipality concludes that it is not the agent, then it is the principal in the transactions.

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where the municipality has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that it is an agent. The municipality applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the municipality is an agent.

#### Recognition

The municipality, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

The municipality, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The municipality recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

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### 2. New standards and interpretations

#### 2.1 Standards and interpretations effective and adopted in the current year

In the current year the municipality has incorporated and applied the following effective new standards and interpretations that became effective during the 2019/20 Financial year

No.	Title of Standard/Description	Effective Date	Reference
GRAP 20	Related Parties	1 July 2019	Refer to Summary of significant accounting policies 1.33
GRAP 32	Service Concession Arrangements: Grantor	1 July 2019	Refer to Summary of significant accounting policies 1.35
GRAP 108	Statutory Receivables	1 July 2019	Refer to transitional provision note 69
GRAP 109	Accounting by Principals and Agents	1 July 2019	Refer to Summary of significant accounting policies
IGRAP 17	Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	1 July 2019	Refer to Summary of significant accounting policies 1.35
IGRAP 19	Liabilities to Pay Levies	1 July 2019	Refer to Summary of significant accounting policies 1.21
IGRAP 18	Recognition and Derecognition of Land	1 July 2019	

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

### 2. New standards and interpretations (continued)

#### 2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, as they are only effective for the municipality's Financial periods beginning on or after 1 July 2020.

No.	Title of Standard/Description	Effective Date	Impact
GRAP 104	Financial Instruments (Amended)	The Effective date is not yet set by the Minister of Finance.	The Municipality will apply this standard in accounting for financial instruments.
GRAP 34	Separate Financial Statements	1 July 2020	The Municipality will apply this Standard in accounting for investments in controlled entities, joint ventures and associates, to present separate financial statements
GRAP 35	Consolidated Financial Statements	1 July 2020	The municipality will apply this Standard in the preparation and presentation of consolidated financial statements for the economic entity
GRAP 36	Investments in Associates and Joint Ventures	1 July 2020	The Municipality will apply this standard in accounting for investments in associates and joint ventures.
GRAP 37	Joint Arrangements	1 July 2020	The Municipality will apply this Standard in determining the type of joint arrangement in which it is involved and in accounting for the rights and obligations of the joint arrangement.
GRAP 38	Disclosure of Interests in Other Entities	1 July 2020	The Municipality will apply this Standard in disclosing information about its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated
GRAP 110	Living and Non-living Resources	1 July 2020	The Municipality will apply this Standard to the recognition, measurement, presentation and disclosure of living resources except those living resources.
GRAP 1	Presentation of Financial Statements(Amended)	1 July 2020	The Municipality will apply the requirement of the Standard in presenting the financial statements
GRAP 18	Segment Reporting	1 July 2020	The Municipality will apply the requirement of the Standard to present financial information of each segment as identified by the municipality
IGRAP 1	Applying The Probability Test On Initial Recognition Of Revenue	1 July 2020	The Municipality will apply the requirements of IGRAP 1 on Initial Recognition Of Revenue
IGRAP 20	Accounting for Adjustments to Revenue	1 July 2020	The Municipality will apply the requirements of IGRAP 20 on measurement of revenue
Guideline	Guideline on Accounting for Landfill Sites 2020	Not yet effective	The guideline will be applied to account for Landfill Sites.
Guideline	Guideline on The Application of Materiality to Financial Statements 2020	Not yet effective	The Municipality will develop its own materiality framework based on the guideline.

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

	2020	2019
<b>3. Inventories</b>		
Raw materials, components	431 376 496	460 242 104
Water for distribution	17 352 485	27 940 369
Fuel (Diesel, Petrol)	109 171 831	94 872 511
Bus tickets	4 618 233	3 351 617
Plants (nursery)	82 615	127 917
Quarries	1 419 740	2 801 732
Coal (power stations)	138 881 884	140 345 254
	<u>702 903 284</u>	<u>729 681 504</u>
Inventories (write-downs)	(4 151 602)	(10 800 835)
	<u><b>698 751 682</b></u>	<u><b>718 880 669</b></u>

### Inventory pledged as security

No inventory is pledged as security.

### Write-down of inventory (included in general expenditure)

The write down of the general inventory is only done at year end. The amount shown below is the net of surpluses and losses.

2019/20:

According to Logistic Division the value of the theft and damaged inventory increased significantly from prior year to current year, whilst shortages and obsolete inventory improved from prior year. According to the Utility Services Department based on the measurement of the coal at the power stations, the coal deteriorated, however showing a significant improvement on the amount needed to be written down compared to prior year.

2018/19:

According to the Utility Services Department and the measurement of the coal at the power stations, the coal deteriorated and therefore the amount below has been written down.

	2020	2019
Surplus inventory (items identified during stock take)	1 659	402 226
Shortages	(108 961)	(3 180 369)
Theft	(393 261)	-
Revaluation of inventory	(257 309)	(366 414)
Damaged inventory	(1 309 518)	(167 693)
Obsolete Inventory	(666 986)	(2 206 025)
Coal inventory (power stations) write down	(1 417 226)	(5 282 485)
Rounding difference	-	(75)
	<u><b>(4 151 602)</b></u>	<u><b>(10 800 835)</b></u>

## 4. Consumer receivables

### Service receivables:

Rates	3 465 622 013	2 818 522 951
Electricity	4 103 914 992	2 163 694 501
Water	3 381 698 244	2 852 326 949
Other fees and levies	1 535 821 476	1 161 904 749
Sanitation	652 775 172	506 184 388
Refuse	934 479 894	817 988 410
Interest	3 067 592 662	2 478 049 079
Arrangement debtors	(89 092 690)	(146 819 610)
	<u><b>17 052 811 763</b></u>	<u><b>12 651 851 417</b></u>

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

	2020	2019
<b>4. Consumer receivables (continued)</b>		
<b>Less: Allowance for impairment</b>		
Rates	(2 292 776 346)	(1 837 724 876)
Electricity	(1 731 758 130)	(902 132 154)
Water	(2 167 349 638)	(1 618 633 757)
Other fees and levies	(1 494 737 302)	(849 483 142)
Sanitation	(408 843 650)	(285 965 212)
Refuse	(608 998 716)	(479 504 870)
Interest	(2 196 659 345)	(1 811 732 778)
	<b>(10 901 123 127)</b>	<b>(7 785 176 789)</b>
<b>Net balance</b>		
Rates	1 172 845 667	980 798 075
Electricity	2 372 156 862	1 261 562 347
Water	1 214 348 606	1 233 693 192
Other fees and levies	41 084 174	312 421 607
Sanitation	243 931 522	220 219 176
Refuse	325 481 178	338 483 540
Interest	870 933 317	666 316 301
Arrangement debtors	(89 092 690)	(146 819 610)
	<b>6 151 688 636</b>	<b>4 866 674 628</b>
<b>Included in above is receivables from exchange transactions</b>		
Electricity	2 372 156 862	1 261 562 347
Water	1 214 348 606	1 233 693 192
Other fees and levies	41 084 174	312 421 607
Sanitation	243 931 522	220 219 176
Refuse	325 481 178	338 483 540
Interest	870 933 317	666 316 301
Arrangement Debtors	(89 092 690)	(146 819 610)
	<b>4 978 842 969</b>	<b>3 885 876 553</b>
<b>Included in above is receivables from non-exchange transactions (taxes and transfers)</b>		
Rates	1 172 845 667	980 798 075
	<b>1 172 845 667</b>	<b>980 798 075</b>
<b>Net balance</b>	<b>6 151 688 636</b>	<b>4 866 674 628</b>
<b>Rates</b>		
Current (0 -30 days)	777 079 059	582 054 618
31 - 60 days	135 025 480	94 714 625
61 - 90 days	108 377 815	58 547 081
91 - 120 days	67 907 112	55 629 770
121 - 150 days	66 901 103	57 606 733
151 - 180 days	74 579 811	53 972 465
181- 365 days	341 388 846	322 076 493
+ 365 days	1 894 362 787	1 593 921 166
	<b>3 465 622 013</b>	<b>2 818 522 951</b>
<b>Electricity</b>		
Current (0 -30 days)	1 944 871 688	1 000 995 653
31 - 60 days	199 628 158	54 505 977
61 - 90 days	199 755 176	20 014 122
91 - 120 days	217 577 986	19 502 504
121 - 150 days	69 818 358	30 817 205
151 - 180 days	107 918 836	31 205 212
181- 365 days	227 520 515	153 295 733
+ 365 days	1 136 824 275	853 358 095
	<b>4 103 914 992</b>	<b>2 163 694 501</b>



# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

	2020	2019
<b>4. Consumer receivables (continued)</b>		
<b>Water</b>		
Current (0 -30 days)	808 965 651	704 636 156
31 - 60 days	129 395 264	111 588 189
61 - 90 days	158 859 084	48 249 468
91 - 120 days	83 494 560	33 984 074
121 - 150 days	90 092 140	70 203 971
151 - 180 days	80 924 771	51 516 961
181 - 365 days	439 669 099	329 376 542
+ 365 days	1 590 297 675	1 502 771 588
	<b>3 381 698 244</b>	<b>2 852 326 949</b>
<b>Other fees and levies</b>		
Current (0 -30 days)	147 344 196	94 211 350
31 - 60 days	40 506 221	23 784 083
61 - 90 days	40 188 205	6 811 321
91-120 days	63 204 795	10 537 850
121 - 151 days	22 292 440	60 601 430
151 - 180 days	33 972 036	25 097 893
181 - 365 days	172 824 648	82 504 552
+ 365 days	1 015 488 935	858 356 270
	<b>1 535 821 476</b>	<b>1 161 904 749</b>
<b>Sanitation</b>		
Current (0 -30 days)	167 513 743	124 779 840
31 - 60 days	26 865 733	21 294 405
61 - 90 days	35 002 056	12 674 045
91 120 days	16 811 712	8 390 509
121 - 150 days	18 223 674	15 470 551
151 - 180 days	14 417 228	10 126 947
181 - 365 days	78 926 033	67 287 240
+ 365 days	295 014 993	246 160 851
	<b>652 775 172</b>	<b>506 184 388</b>
<b>Refuse</b>		
Current (0 -30 days)	159 512 305	149 545 475
31 - 60 days	23 575 848	29 735 402
61 - 90 days	27 055 051	22 030 819
91 - 120 days	23 370 524	18 016 747
121 - 150 days	19 013 379	20 651 917
151 - 180 days	17 770 454	14 718 746
181 - 365 days	88 481 630	97 938 221
+ 365 days	575 700 703	465 351 083
	<b>934 479 894</b>	<b>817 988 410</b>
<b>Interest</b>		
Current (0 -30 days)	159 115 471	182 732 920
31 - 60 days	65 589 231	78 760 465
61 - 90 days	88 077 198	65 024 935
91 - 120 days	66 539 543	40 312 876
121 - 150 days	76 520 213	91 710 175
151-180 days	65 541 158	58 160 821
181 - 365 days	393 900 864	340 245 515
+ 365 days	2 152 308 984	1 621 101 372
	<b>3 067 592 662</b>	<b>2 478 049 079</b>

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

	2020	2019
<b>4. Consumer receivables (continued)</b>		
<b>Ageing: Total gross receivables</b>		
Current (0 -30 days)	4 164 402 112	2 838 956 010
31 - 60 days	620 585 935	414 383 145
61 - 90 days	657 314 584	233 351 791
91 - 120 days	538 906 232	186 374 331
121 - 150 days	362 861 307	347 061 983
151 - 180 days	395 124 295	244 799 045
181 - 365 days	1 742 711 636	1 392 724 296
+ 365 days	8 659 998 353	7 141 020 426
	<b>17 141 904 454</b>	<b>12 798 671 027</b>
<b>Consumer receivables - past due and impaired</b>		
Current (0 -30 days)	1	-
121 - 150 days	3 121 650 097	653 029 492
151 - 180 days	7 779 473 030	7 132 147 297
	<b>10 901 123 128</b>	<b>7 785 176 789</b>
<b>Consumer receivables - past due and not impaired</b>		
60 days and beyond	396 593 341	414 383 147
121 - 150 days	345 035 824	233 351 791
151 - 180 days	393 763 182	186 374 330
181 - 365 days	362 939 930	347 061 982
365 + days	229 447 867	993 366 977
	<b>1 727 780 144</b>	<b>2 174 538 227</b>
<b>Summary of consumer receivables by customer classification</b>		
<b>Consumers</b>		
Household/residential	9 464 839 079	7 969 496 588
Industrial/Commercial	5 717 973 007	3 777 134 116
National and Provincial Government	1 147 605 068	571 990 777
Other	811 487 300	480 049 546
	<b>17 141 904 454</b>	<b>12 798 671 027</b>
<b>Households</b>		
Current (0 -30 days)	2 197 012 293	1 971 617 546
31 - 60 days	256 748 099	218 786 552
61 - 90 days	310 964 441	151 202 573
91 - 120 days	177 907 181	102 662 720
121 - 150 days	205 016 072	204 160 753
151 - 180 days	188 219 890	127 692 294
181 -365 days	1 047 161 876	847 529 271
365 + days	5 081 809 227	4 345 844 879
	<b>9 464 839 079</b>	<b>7 969 496 588</b>
<b>Industrial/ commercial</b>		
Current (0 -30 days)	2 041 398 428	1 295 699 006
31 - 60 days	248 365 173	130 705 248
61 - 90 days	244 055 295	59 226 347
91 - 120 days	259 728 540	60 338 633
121 -150 days	112 020 859	88 506 068
151 - 180 days	136 191 434	76 790 547
181 - 365 days	503 343 194	380 659 581
365 + days	2 172 870 084	1 685 208 686
	<b>5 717 973 007</b>	<b>3 777 134 116</b>

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

	2020	2019
<b>4. Consumer receivables (continued)</b>		
<b>National and provincial government</b>		
Current (0 -30 days)	592 164 769	286 360 390
31 - 60 days	76 002 410	38 490 582
61 - 90 days	67 919 490	7 353 030
91 - 120 days	70 616 688	10 061 619
121 - 150 days	25 731 588	30 112 685
151 - 180 days	37 349 132	20 234 714
181 - 365 days	79 005 437	53 933 459
365 + days	198 815 554	125 444 298
	<b>1 147 605 068</b>	<b>571 990 777</b>
<b>Other</b>		
Current (0 -30 days)	93 592 412	47 395 265
31 - 60 days	2 743 852	(4 348 180)
61 - 90 days	(4 830 370)	(3 452 227)
91 - 120 days	(700 117)	(789 355)
121 - 150 days	(612 861)	(1 706 101)
151 - 180 days	9 778 477	(456 095)
181 - 365 days	6 156 895	1 323 097
365 + days	705 359 012	442 083 142
	<b>811 487 300</b>	<b>480 049 546</b>
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(7 785 176 789)	(8 172 340 918)
Contributions to allowance	(1 393 997 460)	(1 287 638 518)
Adjustments to allowance - review of impairment at year end	(2 276 277 380)	(865 211 385)
Debt impairment written off against allowance-council resolution 27 June 2019	-	2 439 840 263
Debt impairment written off against allowance during the financial year	718 235 873	112 244 216
Write back/corrections against allowance	2 275 932 892	(12 070 447)
Reversal of Accrual	(2 439 840 263)	-
	<b>(10 901 123 127)</b>	<b>(7 785 176 789)</b>

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

	2020	2019
<b>5. Other receivables</b>		
AARTO fine debtor	1 159 042 639	1 043 157 980
RTMC: AARTO debtor	1 256 293	1 256 293
Creditors with debit balances reclassification	-	26 222 683
Housing debtors	89 669 521	79 013 218
Insurance claim: Fraud	2 496 909	11 809 028
Pre-payment Sanral	113 323 994	113 323 994
Lease revenue	28 919 020	29 094 551
Waste management	6 276 365	5 086 919
Sundry rentals	157 029 120	160 220 614
Sundry Persons	443 009 005	377 124 948
Public contributions	217 554 590	217 554 590
Miscellaneous	378 271 008	406 034 218
Year End Grant debtor	5 759 774	8 513 075
	<b>2 602 608 238</b>	<b>2 478 412 111</b>
Impairment 1	(821 846 505)	(720 921 114)
Less: Impairment allowance: exchange	(598 989 213)	(492 766 807)
	<b>1 181 772 520</b>	<b>1 264 724 190</b>
<b>Included in above is receivables from exchange transactions</b>		
Various debtors	1 436 549 532	1 425 484 763
Less: Impairment allowance	(598 989 213)	(492 766 807)
	<b>837 560 319</b>	<b>932 717 956</b>
<b>Included in above is receivables from non-exchange transactions</b>		
AARTO fines	1 159 042 639	1 043 157 980
RTMC: AARTO debtor	1 256 293	1 256 293
Grant debtor	5 759 774	8 513 075
Less: Impairment allowance	(821 846 505)	(720 921 114)
	<b>344 212 201</b>	<b>332 006 234</b>
<b>AGEING</b>		
<b>Pre-payment Sanral</b>		
> 365 days	113 323 994	113 323 994
<b>Housing debtors</b>		
31 - 60 days	10 656 303	8 706 812
61 - 90 days	-	17 123 725
121 - 365 days	25 830 537	53 182 681
> 365 days	53 182 681	-
	<b>89 669 521</b>	<b>79 013 218</b>
<b>Creditors with debit balances reclassification</b>		
31 - 60 days	26 222 683	4 380 983
<b>Miscellaneous</b>		
Current (0 -30 days)	-	11 747 274
31 - 60 days	546 797 061	367 745 663
121 - 365 days	327 497 285	26 541 281
> 365 days	26 541 281	-
	<b>900 835 627</b>	<b>406 034 218</b>
<b>Lease revenue</b>		
Current (0 -30 days)	5 461 366	-
31 - 60 days	-	37 330 875
121 - 365 days	23 457 654	-
	<b>28 919 020</b>	<b>37 330 875</b>

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

	2020	2019
<b>5. Other receivables (continued)</b>		
<b>AARTO fine debtor</b>		
Based on historic information, it is determined that the probability of the collection of fines within 32 days is 30.62% which will result in 69.38% possible collection rate post the 32 day period		
Current (0 -30 days)	39 690 127	20 292 017
31 - 60 days	44 345 135	25 047 825
61 - 90 days	46 851 935	27 554 625
91 - 120 days	40 816 660	21 519 350
121 - 365 days	165 313 485	146 016 175
> 365 days	822 025 297	802 727 988
	<b>1 159 042 639</b>	<b>1 043 157 980</b>
<b>Waste Management</b>		
31 - 60 days	-	1 211 694
61 - 90 days	1 961 432	752 682
91 - 120 days	-	685 738
121 - 365 days	1 894 489	2 436 805
> 365 days	2 420 444	-
	<b>6 276 365</b>	<b>5 086 919</b>
<b>Sundry rentals</b>		
31 - 60 days	-	25 364 846
61 - 90 days	22 173 352	19 747 260
91 - 120 days	-	22 081 849
121 - 365 days	418 829 109	93 026 659
> 365 days	93 026 659	-
	<b>534 029 120</b>	<b>160 220 614</b>
<b>Sundry Persons</b>		
31 - 60 days	22 173 352	-
91 - 120 days	115 077 928	115 077 928
121 - 365 days	41 829 109	23 126 564
> 365 days	93 026 659	238 920 456
	<b>272 107 048</b>	<b>377 124 948</b>
<b>Public contributions</b>		
121 - 365 days	-	1 031 921
> 365 days	217 554 590	216 522 669
	<b>217 554 590</b>	<b>217 554 590</b>
<b>Insurance claim: fraud</b>		
91 - 120 days	-	11 809 028
> 365 days	217 554 590	-
	<b>217 554 590</b>	<b>11 809 028</b>
<b>RTMC: AARTO debtor</b>		
> 365 days	1 256 293	1 256 293
<b>Year-end grant debtors</b>		
31 - 60 days	-	8 513 075
> 365 days	5 759 774	-
	<b>5 759 774</b>	<b>8 513 075</b>

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

	2020	2019
<b>5. Other receivables (continued)</b>		
<b>Reconciliation of allowance for impairment</b>		
Opening balance	(1 213 687 921)	(1 025 332 290)
Additional contribution - review of impairment	(176 840 241)	(37 942 583)
Contribution to allowance (monthly contribution)	(30 307 556)	(224 945 557)
Write-off against the allowance	-	6 045 714
Corrections of write-offs against allowance	-	68 486 795
	<b>(1 420 835 718)</b>	<b>(1 213 687 921)</b>

### Other receivables from exchange and non-exchange transactions past due but not impaired

Trade and other receivables which are less than 2 months past due are not considered to be impaired. At 30 June 2020, R 1 272 960 514 (2019: R 1 152 149 738) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

#### Past due but not impaired

Current	32 039 291	64 148 708
31 - 60 days	491 436 661	540 395 109
61 - 90 days	-	-
91 - 120 days	11 809 028	-
121 - 365 days	27 573 202	137 825 776
> 365 days	710 102 332	409 780 145
	<b>1 272 960 514</b>	<b>1 152 149 738</b>

### Other receivables from exchange and non-exchange transactions past due and impaired

As of 30 June 2020, trade and other receivables of R2 486 648 435 (2019: R 2 177 482 028) were impaired and provided for.

The amount of the impairment was R1 213 687 921 as of 30 June 2020 (2019: R 1 025 332 290).

The ageing of these receivables is as follows:

#### Past due and impaired

31 - 60 days	8 706 812	140 586 517
61 - 90 days	65 178 292	27 844 812
91 - 120 days	159 364 865	252 337 592
121 - 365 days	317 788 884	465 042 757
365 + days	662 649 068	139 520 612
	<b>1 213 687 921</b>	<b>1 025 332 290</b>

Up to June 2020 an amount of R5 465 762 has been written off with regard to sundry/other debtors against the allowance.

Up to June 2019 an amount of R6 045 714 has been written off with regard to Sundry/Other debtors against the allowance.

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

	2020	2019
<b>6. Long-term receivables</b>		
Consumer: Arrangement debtors (refer to note 4)	89 092 690	146 819 610
Housing loans	11 464 609	10 990 613
Loans to sport clubs	1 019 744	1 004 151
Sale of land	109 059 607	73 701 316
	<u>210 636 650</u>	<u>232 515 690</u>
Current portion of long-term receivables	(132 119 244)	(111 175 936)
	<u>78 517 406</u>	<u>121 339 754</u>
Impairment allowance	(76 859 110)	(77 427 987)
	<u><b>1 658 296</b></u>	<u><b>43 911 767</b></u>
<b>Reconciliation of impairment allowance</b>		
Balance at the beginning of year	(77 427 987)	(73 722 678)
Contributions to allowance (monthly)	(1 995 579)	(1 843 321)
Adjustment to contribution - review of impairment	2 564 456	(1 861 988)
	<u><b>(76 859 110)</b></u>	<u><b>(77 427 987)</b></u>
<b>Consumer: Arrangement debtors</b>		
A policy exists granting consumer receivables an opportunity to make arrangements to pay off their arrear debt over a period of 12, 24 or 36 months with a deposit payable.		
<b>Housing loans</b>		
Housing loans were granted to qualifying individuals in terms of the Provincial Administration's Housing Program. These loans attracted interest of 13.5% per annum and are repayable over periods of 20 and 30 years. These loans have various terms applicable. No new loans were issued in the current financial year.		
<b>Loans to sport clubs</b>		
Sport clubs that qualified, signed a 99 year lease hold agreement with the municipality at a nominal amount and were provided with financial assistance from the municipality to build or improve a facility for which the funds are repayable over a period and the Club has no claim to the improvements after the expiration of the lease hold agreement.		
<b>Sale of land debtors</b>		
Vacant properties are sold through a process administered by Group Property Management. Contracts are signed and advices for the opening of individual accounts, which indicates the amount of the deposit (10%) and VAT (14% up to March 2018, and 15% from 1 April 2018) are issued. The contract stipulates as from when interest is payable (immediately after signing the contract or after 12 months). The interest rate used is the Municipality's mortgage bond rate which currently is 9%. Interest is calculated monthly on the outstanding balance of the property.		
As from 1 March 2014 all land sales are conducted on payment of the full amount to the Municipality by the purchaser. No extended payment terms are offered and full payment is required on registration.		
<b>AGEING:</b>		
<b>Consumer: Arrangement debtors</b>		
121 - 365 days	89 092 690	109 680 329
> 365 days	-	37 139 281
	<u><b>89 092 690</b></u>	<u><b>146 819 610</b></u>
<b>Housing loans</b>		
91 - 120 days	105 010	-
121 - 365 days	974 554	790 061
> 365 days	10 385 045	10 200 552
	<u><b>11 464 609</b></u>	<u><b>10 990 613</b></u>
<b>Loans to sport clubs</b>		
121 - 365 days	-	556 180
> 365 days	1 019 744	447 971
	<u><b>1 019 744</b></u>	<u><b>1 004 151</b></u>

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

	2020	2019
<b>Sale of land</b>		
121 - 365 days	35 009 651	3 059 001
> 365 days	74 049 956	70 642 315
	<b>109 059 607</b>	<b>73 701 316</b>
<b>Total ageing:</b>		
121 - 365 days	43 424 400	114 085 570
> 365 days	157 163 554	118 430 119
	<b>200 587 954</b>	<b>232 515 689</b>
<b>Past due and impaired</b>		
> 365 days	-	77 427 987
<b>Past due and not impaired</b>		
121 - 365 days	-	114 085 571
> 365 days	-	41 002 132
	-	<b>155 087 703</b>
<b>7. Redemption fund'</b>		
<p>The redemption fund previously referred to as the sinking fund is a financial solution to assist the City of Tshwane (COT) in meeting its financial obligations to repay previously issued bonds. The COT pays contributions into the fund so as to enable the Municipality to receive contributions plus growth to repay redemption of the bonds when they fall due.</p> <p>The service of the third party fund manager was in place in the City of Tshwane for two thirds of the 2018/19 financial year as the said contract was terminated. However the strategy that was adopted and approved by the City of Tshwane still remains in force for its intended duration without any deviation.</p> <p>The latter is part of the risk management framework adopted by City of Tshwane. The assets and liabilities are disclosed below:</p>		
<b>Collateral:</b>		
<p>The total investments pledged as collateral for City of Tshwane Bonds cannot be sold until the related liability is settled in full. The terms and conditions are such that the collateralised asset upon maturity should be of the same value as the liability to ensure that the liability can be redeemed.</p> <p>The Nedbank and FFO collateral is the collateral paid plus accrued interest.</p>		
<b>Composition of fund assets and liabilities:</b>		
The maturity date of bonds is: 21 December 2026.		
The maturity dates are 12 January 2033, 19 January 2028 and 15 June 2028 respectively.		
The fair value of the redemption fund portfolio is R1 796 491 042 (2019 = R1 172 713 805).		
<b>Other financial assets measured at fair value through profit or loss</b>		
Bonds	199 776 430	198 337 072
Cash collateral-FFO securities(Pty)	13 935 148	13 229 116
Swaps	253 139 705	72 500 395
<b>Non-current assets</b>	<b>466 851 283</b>	<b>284 066 583</b>
<b>Other financial assets measured at fair value through profit or loss</b>		
Cash and cash equivalents	1 329 639 759	888 647 222
Current assets	1 329 639 759	888 647 222
	-	-



# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

	2020	2019 Restated*
<b>7. Redemption fund' (continued)</b>		
Financial assets carried at fair value through profit or loss	<u>1 796 491 042</u>	<u>1 172 713 805</u>
Financial assets carried at fair value through profit or loss		
Derivatives designed and effective as hedging instruments carried at fair value	<u>1 796 491 042</u>	<u>1 172 713 805</u>
<b>8. Investments</b>		
<b>Investments at amortised cost.</b>		
Short-term investments (highly liquid)	630 739 155	2 761 124 472
Short-term investments	420 134	858 161 973
	<u>631 159 289</u>	<u>3 619 286 445</u>
<b>Non-current assets</b>		
Long-term investments (at amortised cost)	-	-
	<u>-</u>	<u>-</u>
<b>Current assets</b>		
Short-term investments (at amortised cost)	420 134	858 161 973
Short-term investments (at amortised cost - refer note 9) (highly liquid)	630 739 155	2 761 124 472
	<u>631 159 289</u>	<u>3 619 286 445</u>
	-	-

The investments listed below are all permitted in terms of Regulation 308 (Local Government: Municipal Finance Management Act 2003: Municipal Investment Regulations).

The market value (indicated below) was obtained from balance certificates or statement from the various financial institutions.

\* See Note 62

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

	2020	2019 Restated*
<b>8. Investments (continued)</b>		
<b>Market value of listed investments and management's valuation of unlisted investments:</b>		
Insurance Policy DGA 30118 no 28 (insurance policy) (unceded) (highly liquid)	787 960	760 019
Insurance Policy DYA 301182 no 29 (insurance policy) (unceded) (highly liquid)	2 469 933	2 382 348
ABSA Money Market investment no 32 (interest capitalised monthly) (unceded) (highly liquid)	39 008 903	36 532 769
ABSA Money Market investment no 33 (interest capitalised monthly) (unceded) (highly liquid)	13 670 123	12 802 397
ABSA Money Market investment no 34 (interest capitalised monthly) (unceded) (highly liquid)	10 238 668	9 588 757
ABSA Money Market investment no 35 (interest capitalised monthly) (unceded) (highly liquid)	225 415	211 107
Ninety One Money Market investment no 37 (interest capitalised monthly) (unceded) (highly liquid)	34 314 876	31 979 967
Ninety One Money Market investment no 38 (interest capitalised monthly) (unceded) (highly liquid)	10 967 703	10 221 421
Ninety One Money Market investment no 39 (interest capitalised monthly) (unceded) (highly liquid)	1 469 278	1 369 303
Stanlib Money Market investment no 40 (interest capitalised monthly) (unceded) (highly liquid)	124 991 185	116 747 280
Stanlib Money Market investment no 41 (interest capitalised monthly) (unceded) (highly liquid)	3 879 568	3 623 687
Investec Money Market investment no 108 (interest capitalised monthly)	38 585 913	36 316 354
Standard Bank Money Market investment no 260 (interest capitalised monthly)	87 932 490	82 812 447
Standard Bank call investment - shortterm investment (no 408, 414, 415, 484, 495, 496) (highly liquid)	-	810 074 718
Standard Bank term investment no 502 (highly liquid)	-	155 777 877
Nedbank call investment no 412 and 488 - short-term investment (highly liquid)	-	638 136 912
Nedbank call investment no 497 and 498 - short term investment (highly liquid)	-	235 000 000
ABSA call investment no 338 and 486 - short-term investment (highly liquid)	-	603 683 120
Nedbank term investment no 501 - short term investment (highly liquid)	106 013 751	260 471 233
ABSA call investment no 494 - short term investment (highly liquid)	-	215 000 000
ABSA term investment no 499 - short term investment (highly liquid)	-	147 690 740
ABSA term investment no 500 - short term investment (highly liquid)	-	207 828 493
Stanlib Contingency Fund investment - short-term investment (on call) 106	288 703	275 496
ABSA (Short term)(highly liquid)	156 183 391	-
Standard Bank (Short term)	131 430	-
	<b>631 159 290</b>	<b>3 619 286 445</b>

\* See Note 62

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

	2020	2019 Restated*
<b>8. Investments (continued)</b>		
<b>Average rate of return</b>		
On long-term investments	5,75 %	7,56 %
On short-term investments	5,34 %	7,28 %
<b>unsecured investments</b>		
Unsecured investments(unceded)	<b>631 159 290</b>	-
	<b>631 159 290</b>	-
	-	-
<b>9. Cash and cash equivalents</b>		
Cash and bank consist of:		
Cash on hand	659 939	652 763
Bank balances	216 184 716	257 751 395
<b>Cash and bank (per statement of financial position )</b>	<b>216 844 655</b>	<b>258 404 158</b>
<b>Cash and cash equivalents for cash flow purposes:</b>		
Cash and cash equivalents for the purpose of the cash flow statement consist of:		
Cash and bank	216 844 655	258 404 158
Short-term investments (highly liquid) (refer to Note 8)	630 739 155	2 761 124 472
<b>Cash and cash equivalents (per cash flow statement)</b>	<b>847 583 810</b>	<b>3 019 528 630</b>

### The municipality had the following bank accounts

Description	Bank statement balances			Cash book balances		
	June 30 2020	30 June 2019	30 June 2018	June 30 2020	30 June 2019	30 June 2018
Absa - 4060738263	303 134 254	143 743 746	395 698 161	144 765 980	150 733 922	405 480 146
FNB - 51420107207	22 935 264	11 623 435	18 575 358	643 255	11 619 517	18 580 558
Standard - 410801453	41 528 032	61 819 233	3 610 255	16 744 427	54 396 970	2 879 645
Tshwane Market - Absa - 4068829119	50 075 389	45 377 217	44 999 356	44 716 858	44 587 730	43 202 868
Nedbank - 1454121963	9 425 006	1 414 753	10 243 582	9 314 193	2 623 528	11 884 187
<b>Total</b>	<b>427 097 945</b>	<b>263 978 384</b>	<b>473 126 712</b>	<b>216 184 713</b>	<b>263 961 667</b>	<b>482 027 404</b>

\* See Note 62

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

### 10. Property, plant and equipment

	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Tshwane House: Service concession (refer note 23)	1 129 911 631	(119 269 643)	1 010 641 988	1 129 911 631	(81 605 325)	1 048 306 306
Denneboom service concession (refer note 23)	1 038 927 540	-	1 038 927 540	805 437 058	-	805 437 058
Biological assets (game)	12 326 003	-	12 326 003	11 784 538	-	11 784 538
Computer equipment	507 845 194	(418 131 152)	89 714 042	477 255 039	(385 831 072)	91 423 967
Community assets	4 488 185 142	(1 610 917 439)	2 877 267 703	4 407 099 298	(1 449 076 655)	2 958 022 643
Machinery and equipment	644 706 587	(470 479 973)	174 226 614	611 284 594	(422 098 293)	189 186 301
Infrastructure: Asset under construction	8 501 858 365	(168 847 541)	8 333 010 824	8 662 436 320	(154 983 866)	8 507 452 454
Community: Asset under construction	360 808 811	(7 714 984)	353 093 827	368 398 885	(7 714 984)	360 683 901
Furniture and office equipment	313 231 561	(259 818 382)	53 413 179	312 238 850	(242 846 280)	69 392 570
Libraries: AUC	1 273 403	-	1 273 403	1 273 403	-	1 273 403
Other: Asset under construction	746 696 347	(43 262 723)	703 433 624	436 675 794	(52 155 417)	384 520 377
Information and communication infrastructure	1 141 187 678	(808 206 610)	332 981 068	1 087 401 474	(682 472 071)	404 929 403
Library Material	301 395 147	(254 530 987)	46 864 160	301 395 147	(240 169 028)	61 226 119
Rail infrastructure	164 493 277	(39 209 879)	125 283 398	164 493 277	(35 942 389)	128 550 888
Rehabilitation assets	558 575 802	(506 920 357)	51 655 445	571 793 339	(496 439 777)	75 353 562
Transport assets	1 062 319 509	(608 561 185)	453 758 324	920 415 703	(514 622 636)	405 793 067
Sanitation infrastructure	4 497 073 465	(1 393 957 914)	3 103 115 551	4 261 197 741	(1 266 870 495)	2 994 327 246
Solid waste infrastructure	96 849 197	(30 212 850)	66 636 347	88 904 879	(26 959 916)	61 944 963
Leased assets	1 316 292 234	(792 009 353)	524 282 881	1 278 640 500	(508 889 974)	769 750 526
Roads infrastructure	10 595 893 332	(3 929 386 436)	6 666 506 896	10 332 613 598	(3 540 571 213)	6 792 042 385
Storm water infrastructure	2 536 635 365	(691 924 228)	1 844 711 137	2 446 030 787	(609 186 447)	1 836 844 340
Electricity infrastructure	10 331 744 800	(4 854 784 326)	5 476 960 474	10 030 842 863	(4 566 473 840)	5 464 369 023
Water supply	6 700 599 785	(1 844 860 204)	4 855 739 581	5 429 160 987	(1 688 058 287)	3 741 102 700
Transport AUC	89 624 680	-	89 624 680	-	-	-
Other assets	4 577 429 659	(1 775 953 507)	2 801 476 152	4 555 800 411	(1 634 439 397)	2 921 361 014
Housing: AUC	56 205 510	-	56 205 510	56 205 509	-	56 205 509
<b>Total</b>	<b>61 772 090 024</b>	<b>(20 628 959 673)</b>	<b>41 143 130 351</b>	<b>58 748 691 625</b>	<b>(18 607 407 362)</b>	<b>40 141 284 263</b>

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

### 10. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment -June 2020

	Opening balance	Additions	Disposals	Transfers/Purification	Transfers capitalisation	Gains/losses	Depreciation	Impairment loss	Total
Transport AUC	-	97 561 622	-	-	(7 936 942)	-	-	-	89 624 680
Libraries Material	61 226 120	-	-	-	-	-	(14 361 959)	-	46 864 161
Tshwane House: Service concession (refer note 23)	1 048 306 306	-	-	-	-	-	(37 664 318)	-	1 010 641 988
Transport assets	405 793 067	36 998 199	(779 418)	-	108 245 285	-	(89 471 940)	(7 026 869)	453 758 324
Other assets	2 921 361 014	1 104 846	(510 783)	(3 787 366)	24 888 004	-	(117 735 946)	(23 843 617)	2 801 476 152
Rehabilitation assets	75 353 562	(13 217 537)	-	-	-	-	(10 480 580)	-	51 655 445
Rail infrastructure	128 550 890	-	-	-	-	-	(3 267 490)	-	125 283 400
Storm water	1 836 844 340	4 296 463	-	258 838	86 049 277	-	(82 737 781)	-	1 844 711 137
Information and communication infrastructure	404 929 404	11 183 859	(1 311)	-	42 652 863	-	(118 904 621)	(6 879 126)	332 981 068
Other: Asset under construction	384 520 377	480 609 802	-	(2 497)	(161 694 058)	-	-	-	703 433 624
Furniture and office equipment	69 392 569	3 132 640	(29 232)	44 382	-	-	(19 127 180)	-	53 413 179
AUC Libraries Material	1 273 403	-	-	-	-	-	-	-	1 273 403
Leased assets	769 750 526	36 998 528	-	-	-	-	(282 466 173)	-	524 282 881
Roads infrastructure	6 792 042 385	7 832 653	-	447 450	254 999 631	-	(388 815 223)	-	6 666 506 896
Infrastructure: Asset under construction	8 507 452 454	1 899 180 220	(91 344 794)	-	(1 977 306 074)	-	-	(4 970 982)	8 333 010 824
Electricity infrastructure	5 464 369 022	123 479 992	(9 337 571)	-	199 059 561	-	(299 944 336)	(666 194)	5 476 960 474
Water supply	3 741 102 700	170 924 175	(56 162 876)	-	1 172 808 114	-	(171 814 552)	(1 117 980)	4 855 739 581
Housing: AUC	56 205 510	-	-	-	-	-	-	-	56 205 510
Machinery and equipment	189 186 301	34 436 979	(84 218)	-	-	-	(49 309 852)	(2 596)	174 226 614
Computer equipment	91 423 963	30 536 346	(180 948)	(44 382)	9 448 610	-	(41 469 547)	-	89 714 042
Community assets	2 958 022 643	26 201 595	-	146 109	54 738 145	-	(156 180 356)	(5 660 433)	2 877 267 703
Community: Asset under construction	360 683 901	48 363 596	-	2 497	(55 956 167)	-	-	-	353 093 827
Denneboom: Service concession (refer note 23)	805 437 058	233 490 482	-	-	-	-	-	-	1 038 927 540
Sanitation infrastructure	2 994 327 247	-	(244 644)	-	236 358 451	-	(125 384 162)	(1 941 341)	3 103 115 551
Biological assets (game)	11 784 538	-	-	-	-	541 465	-	-	12 326 003
Solid waste infrastructure	61 944 963	-	-	-	7 944 318	-	(3 178 243)	(74 691)	66 636 347
	<b>40 141 284 263</b>	<b>3 233 114 460</b>	<b>(158 675 795)</b>	<b>(2 934 969)</b>	<b>(5 700 982)</b>	<b>541 465</b>	<b>(2 012 314 259)</b>	<b>(52 183 829)</b>	<b>41 143 130 354</b>

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

### 10. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - June 2019

	Opening balance	Acquisition	Retirements	Transfers: Capitalisation	Transfers: Purification	Gains/(losses) arising from changes in fair value	Depreciation	Impairment loss	Total
Library Materials	72 228 678	7 864 125	(715 615)	-	-	-	(18 151 068)	-	61 226 120
Tshwane House: Service concession (refer note 23)	1 085 970 623	-	-	-	-	-	(37 664 317)	-	1 048 306 306
Transport assets	472 934 255	-	(4 522 253)	35 771 983	1 363 210	-	(99 754 128)	-	405 793 067
Other assets	2 968 892 656	59 747 500	-	28 901 137	332 255	-	(136 315 938)	(196 596)	2 921 361 014
Rehabilitation assets	85 021 155	7 807 856	-	-	-	-	(17 475 449)	-	75 353 562
Rail infrastructure	131 818 379	-	-	-	-	-	(3 267 490)	-	128 550 889
Storm water	1 645 204 503	11 529 765	-	257 195 798	-	-	(77 085 726)	-	1 836 844 340
Information and communication	400 334 648	6 002 794	(37 932)	107 553 338	(56 851)	-	(108 866 594)	-	404 929 403
Other: Asset under construction	290 940 299	312 037 372	-	(196 784 354)	(21 672 940)	-	-	-	384 520 377
Furniture and office equipment	85 194 371	4 632 419	(11 651)	384 028	150 923	-	(20 957 520)	-	69 392 570
AUC: Libraries Material	-	-	-	-	1 273 403	-	-	-	1 273 403
Leased assets	945 422 568	73 289 524	(2 607 930)	-	-	-	(246 349 625)	-	769 754 537
Roads infrastructure	6 547 530 001	73 475 676	-	526 357 689	8 682 932	-	(364 003 913)	-	6 792 042 385
Infrastructure: Asset under construction	7 136 654 041	2 574 814 259	(3 550 667)	(1 159 203 753)	(5 921 278)	-	-	(35 340 146)	8 507 452 456
Electricity infrastructure	5 605 980 030	82 245 240	(17 410 085)	86 171 332	(611 695)	-	(291 118 226)	(887 573)	5 464 369 023
Water supply	3 754 341 487	127 832 814	(59 792 670)	98 476 221	(7 770)	-	(179 052 637)	(694 745)	3 741 102 700
Housing : AUC	56 205 509	-	-	-	-	-	-	-	56 205 509
Machinery and equipment	218 768 786	28 032 545	(471 286)	104 042	(1 673 993)	-	(55 573 793)	-	189 186 301
Computer equipment	98 869 703	15 451 445	(291 396)	24 836 067	207 329	-	(47 649 181)	-	91 423 967
Community assets	3 080 546 104	28 111 209	(3 163 193)	64 058 689	(48 051 681)	-	(160 233 619)	(3 244 866)	2 958 022 643
Community assets under construction	260 518 729	128 396 015	(1 411 186)	(29 186 631)	2 366 974	-	-	-	360 683 901
Denneboom: Service concession (refer note 23)	378 529 129	425 107 929	-	-	1 800 000	-	-	-	805 437 058
Sanitation infrastructure	3 000 969 618	14 547 372	-	121 841 927	(284)	-	(129 978 284)	(13 053 103)	2 994 327 246
Biological assets (game)	24 815 042	-	-	-	-	(13 030 504)	-	-	11 784 538
Solid waste infrastructure	64 507 132	-	(5 243)	225 402	-	-	(2 782 328)	-	61 944 963
	<b>38 412 197 446</b>	<b>3 980 925 859</b>	<b>(93 991 107)</b>	<b>(33 297 085)</b>	<b>(61 819 466)</b>	<b>(13 030 504)</b>	<b>(1 996 279 836)</b>	<b>(53 417 029)</b>	<b>40 141 288 278</b>

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

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10. Property, plant and equipment (continued)

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# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

	2020	2019 Restated*
<b>10. Property, plant and equipment (continued)</b>		
<b>Pledged as security</b>		
No property, plant and equipment are pledged as security, except for leased assets (refer to Note 20).		
<b>Other information</b>		
<b>Depreciation on property, plant and equipment (refer to note 37)</b>		
Property plant and equipment	1 727 798 857	1 551 864 442
Rehabilitation assets	17 475 449	17 475 499
Leased assets	247 126 079	247 314 830
	<b>1 992 400 385</b>	<b>1 816 654 771</b>

\* See Note 62



# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

	2020	2019 Restated*
<b>10. Property, plant and equipment (continued)</b>		
<b>Property, plant and equipment in the process of being constructed or developed</b>		
<b>Cumulative expenditure recognised in the carrying value of property, plant and equipment</b>		
Infrastructure	9 834 853 519	9 212 870 702
Community	391 494 995	368 484 875
Other property, plant and equipment	1 655 423 596	1 521 169 432
	<b>11 881 772 110</b>	<b>11 102 525 009</b>
<b>Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected</b>		
Awaiting completion certificate/occupation certificate	-	83 922 808
Awaiting appointment of contractor	18 723 589	97 795 534
Awaiting bulk services installation	8 350 000	817 331 610
Awaiting water use licence application (WULA) approval	-	1 370 786
Awaiting Eskom connection	-	5 829 628
Awaiting building approvals	-	9 989 950
Awaiting completion sub-station to connect	-	48 534 670
Awaiting final testing process	-	24 822 000
Awaiting reservoir construction	-	90 398 254
Budget Constraints	52 930 205	987 381 150
Busy with expropriation	-	7 796 146
Contractors issues	-	72 062 013
Contractor previously abandoned site	-	176 365 007
Community protest/unrest	-	111 809 065
Consultant contract lapsed	-	168 804 713
Delayed due to former legislation	-	28 382 906
Encroachment to be resolved	-	54 351 212
Consultant contract lapsed	-	28 021 210
Poor performance by contractor	-	137 858 020
Snag list still in progress	-	114 810 374
Waiting for electrification to be completed	-	361 787
	<b>80 003 794</b>	<b>3 067 998 843</b>
<b>Carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s)</b>		
Awaiting appointment of contractor	28 802 851	-
Budget Constraints	2 435 978	380 964 753
Community protest/unrest	34 358 595	42 442 493
Contractor dispute	323 301	-
Contract terminated	2 605 800	-
No water connection to the site	-	571 216
Project abandoned	-	3 645 584
Poor performance by contractor	-	656 250
Township layout still outstanding	1 190 607	-
	<b>69 717 132</b>	<b>428 280 296</b>

\* See Note 62

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

	2020	2019 Restated*
<b>10. Property, plant and equipment (continued)</b>		
<b>Expenditure incurred to repair and maintain property, plant and equipment</b>		
<b>Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance</b>		
Contracted services	497 612 733	525 093 715
General expenses	568 129 119	518 947 369
Other materials	158 913 212	163 303 157
	<b>1 224 655 064</b>	<b>1 207 344 241</b>

An entity shall assess at each reporting date whether there is any indication that the entity's expectations about the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the entity shall revise the expected useful life accordingly. The changes shall be accounted for as a change in an accounting estimate in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors. The list of indicators as contained in paragraph 57 of GRAP 17 was used as guidance.

Treatment of all useful lives to be adjusted: All remaining useful lives that were adjusted for the 2019/2020 financial year are disclosed in the financial statements as a change in estimate in accordance with GRAP 3 (refer to note 63). All changes in estimates occurs prospectively and no prior year adjustments were made. All review of useful life adjustments occurred with effect from 1 July 2019. The following were the reasons for the review of useful life adjustments:

Consumer meters:

For all consumer meters having a remaining useful life (RUL) of less than or equal to 24 months, the RUL as at 1 July 2019, was increased with an additional 25 months as per the methodology.

All other assets: The following condition grading scale was used in 2019/2020 to test the remaining useful lives (RUL) of the assets in comparison to the condition of the asset:

Grade 1: Very good - sound structure, well maintained, only normal maintenance required : Average 91% indicative RUL

Grade 2: Good - Serves needs but minor deterioration (<5%), minor maintenance required : Average 71% indicative RUL

Grade 3: Fair - Marginal, clearly evident deterioration (10 - 20%), significant maintenance required : Average 51% indicative RUL

Grade 4: Poor - Significant deterioration of structure and/or appearance, significant impairment of functionality (20 - 40%, significant renewal/upgrade required : Average 31% indicative RUL

Grade 5: Very poor - Unsound, failed needs reconstruction/replacement (50% needs replacement) : Average 11% indicative RUL

\* See Note 59

Consideration was given to the assessment of the asset and where the conditions of assets are indicated as either, very good, good or fair and in these instances the RUL was not adjusted. Where no indication was made by custodian departments it was assumed that the assets are still in use and in a fair condition, hence the expectations do not differ from that of the prior year and therefore no adjustment was made.

In instances where the condition of an asset was indicated as very poor the RUL of the asset was determined using the average percentage as per the grading above, however where the average percentage was applied and the RUL amounted to less than 13 months for assets with a condition of very poor, the RUL for the 2019/2020 financial year was extended to 13 months preventing the asset to depreciate to R0 during the year. Ideally during the 2020/2021 financial year these assets must be disposed of in terms the SCM Policy.

In instances where the condition of the asset was indicated as poor the RUL of the asset was determined using the average percentage as per the grading above, however where the average percentage was applied and the RUL amounted to less than 18 months, the RUL was adjusted to 18 months, and where the RUL when applying the average percentage amounted to less than the RUL as at 1 July 2019, the RUL was decreased to the calculated RUL, however where the average percentage was applied and the RUL resulted in a longer RUL the RUL was left unchanged.

In instances where departments indicated the RUL in years and months, the RUL was amended based on the information provided, if realistic.

For all assets having a RUL of 24 months in case of movable assets and 36 months or less in case of immovable and no indication was made by custodian departments, consideration was given to the change in expectation as at 1 July 2019 and a decision was taken by management to amend the RUL as follows:

- For movable assets, the RUL were adjusted to 25 months in order to allow for departments to consider the future use of the assets vs. the replacement of these assets.
- For immoveable assets, the RUL were adjusted with a further 37 months seeing that these assets are used in the ordinary delivery of services to the community. Same as for movable assets the responsible departments will have to consider the future use of the assets vs. the replacement/upgrading thereof.

A total of 1 421 532 assets were affected. The change in annual depreciation is a decrease of R100 851 358.01 (Refer to note 63 ).

\* See Note 62

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

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2020

2019  
Restated\*

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### 10. Property, plant and equipment (continued)

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

\* See Note 62

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

### 11. Investment property

2020			2019		
Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
1 269 016 721	(200 767 863)	1 068 248 858	1 271 856 824	(203 192 733)	1 068 664 091

Investment property

#### Reconciliation of investment property - June 2020

	Opening balance	Additions	Disposals	Transfers/Purification	Transfers capitalisation	Depreciation	Total
Investment property: Capitalised	1 068 664 091	13 966 207	(13 840 629)	2 934 968	676 405	(4 152 185)	1 068 248 857

#### Reconciliation of investment property - June 2019

	Opening balance	Additions	Transfer / purification	Disposals	Depreciation	Total
Investment property: Capitalised	1 072 779 095	4 570 200	(1 800 000)	(2 173 532)	(4 711 672)	1 068 664 091

#### Pledged as security

No investment property is pledged as security.

#### Carrying value of Investment Property that is taking a significantly longer period of time to complete than expected

#### Cumulative expenditure recognised in the carrying value of Investment property

Project stoppage due to transactional make-up and contractual disputes  
Awaiting supporting documentation (Completion certificate, processing of invoices/payment)

63 760 842	-
1 276 450	-
<b>65 037 292</b>	<b>-</b>

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

	2020	2019 Restated*
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### 11. Investment property (continued)

#### Expenditure incurred to repair and maintain Investment properties

General expenses	211 443	1 175 903
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A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal are as follows:

Contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements is as follows:

In the exceptional cases when the municipality has to measure investment property using the cost model in the Standard of GRAP on Property, Plant and Equipment when the municipality subsequently uses the fair value measurement, disclose the following:

- a description of the investment property,
- an explanation of why fair value cannot be determined reliably,
- if possible, the range of estimates within which fair value is highly likely to lie, and
- on disposal of investment property not carried at fair value:
  - the fact that the entity has disposed of investment property not carried at fair value,
  - the carrying amount of that investment property at the time of sale, and
  - the amount of gain or loss recognised.

#### Investment Property Under Construction

Investment Property consist assets which are under construction.

Year 2020	Opening balance	Additions	Impairment Loss	Depreciation	Total
Investment Property:AUC	56 707 642	13 777 507	-	-	70 485 149
Year 2019	Opening balance	Additions	Impairment	Depreciation	Total
Investment property: AUC	56 707 642	-	-	-	56 707 642

\* See Note 62

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

### 12. Intangible assets

AUC: Software  
Computer software  
Servitudes  
AUC: Servitude

#### Total

2020			2019		
Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
184 118 498	-	184 118 498	38 122 598	-	38 122 598
550 915 602	(390 932 901)	159 982 701	537 571 123	(326 855 434)	210 715 689
438 450 004	-	438 450 004	436 015 049	-	436 015 049
13 652 241	-	13 652 241	13 652 241	-	13 652 241
<b>1 187 136 345</b>	<b>(390 932 901)</b>	<b>796 203 444</b>	<b>1 025 361 011</b>	<b>(326 855 434)</b>	<b>698 505 577</b>

#### Reconciliation of intangible assets -June 2020

AUC: Computer software  
Computer software  
Servitudes  
Servitudes: AUC

Opening balance	Acquisitions	Transfers: Capitalisation	Amortisation	Impairment loss	Total
38 122 598	145 995 900	-	-	-	184 118 498
210 715 687	8 319 900	5 024 579	(56 313 809)	(7 763 656)	159 982 701
436 015 049	2 434 955	-	-	-	438 450 004
13 652 241	-	-	-	-	13 652 241
<b>698 505 575</b>	<b>156 750 755</b>	<b>5 024 579</b>	<b>(56 313 809)</b>	<b>(7 763 656)</b>	<b>796 203 444</b>

#### Reconciliation of intangible assets - June 2019

AUC: Software  
Computer software  
Servitudes  
AUC : servitudes

Opening balance	Acquisitions	Retirements	Transfers: Capitalisation	Amortisation	Total
22 239 998	-	-	15 882 600	-	38 122 598
276 565 523	5 759 597	(24 464 203)	31 737 619	(78 882 847)	210 715 689
433 893 673	561 899	-	1 559 477	-	436 015 049
13 652 241	-	-	-	-	13 652 241
<b>746 351 435</b>	<b>6 321 496</b>	<b>(24 464 203)</b>	<b>49 179 696</b>	<b>(78 882 847)</b>	<b>698 505 577</b>

#### Pledged as security

No intangible assets are pledged as security.

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

	2020	2019 Restated*
<b>12. Intangible assets (continued)</b>		
<b>Expenditure incurred to repair and maintain Intangible assets</b>		
<b>Intangible assets in the process of being constructed or developed</b>		
<b>Cumulative expenditure recognised in the carrying value of Intangible assets</b>		
contracted services	69 876 105	58 370 796
General expenses	1 168 664	2 120 966
Other materials	1 883 247	-
	<b>72 928 016</b>	<b>60 491 762</b>

\* See Note 62

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

### 13. Heritage assets

	2020			2019		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Works of art	471 080 232	-	471 080 232	471 080 232	-	471 080 232
Historical buildings	3 205 534 190	(306 039 760)	2 899 494 430	3 205 534 190	(306 039 760)	2 899 494 430
Other heritage assets	1 536 407	-	1 536 407	1 536 408	-	1 536 408
Heritage: AUC	19 718 699	(19 718 699)	-	19 718 699	(19 718 699)	-
<b>Total</b>	<b>3 697 869 528</b>	<b>(325 758 459)</b>	<b>3 372 111 069</b>	<b>3 697 869 529</b>	<b>(325 758 459)</b>	<b>3 372 111 070</b>

#### Reconciliation of heritage assets - June 2020

	Opening balance	Total
Works of art	471 080 232	471 080 232
Historical buildings	2 899 494 430	2 899 494 430
Other heritage assets	1 536 408	1 536 407
	<b>3 372 111 070</b>	<b>3 372 111 069</b>

#### Reconciliation of heritage assets - June 2019

	Opening balance	Transfers received	Impairment	Total
Works of art	471 080 233	-	-	471 080 232
Historical buildings	3 012 899 230	47 736 860	(161 141 660)	2 899 494 430
Other heritage assets	1 536 408	-	-	1 536 408
	<b>3 485 515 871</b>	<b>47 736 860</b>	<b>(161 141 660)</b>	<b>3 372 111 070</b>

#### Pledged as security

Carrying value of heritage assets pledged as security:

[Insert terms and conditions here where terms and conditions are the same]

#### Heritage assets in the process of being constructed or developed



# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

	2020	2019 Restated*
<b>13. Heritage assets (continued)</b>		
<b>Expenditure incurred to repair and maintain heritage assets</b>		
<b>Expenditure incurred to repair and maintain heritage assets included in Statement of Financial Performance</b>		
General expenses	2 539 777	4 478 483

### 14. Interest rate swaps

The municipality holds derivative financial instruments to hedge its interest rate risk exposures. The municipality entered into interest rate swap contracts that entitle it to receive interest at fixed rates/floating rates on notional principal amounts and that oblige the municipality to pay interest at variable rates/fixed rates on the same amounts. The interest rate swap allows the municipality to raise long-term borrowings at variable rates/fixed rates and effectively swap them into fixed rates/floating rates in terms of the structured finance contractual requirements. The interest rate swaps are initially measured at fair value on the contract/trade date; any attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, the interest rate swaps are measured at fair value at each reporting date:

**During 2014/15 and 2017 the municipality entered into interest rate swaps with the following counter parties:**

City of Johannesburg: (Trade number - SWD BSA 14)  
Trade date: 1 September 2014 and Settlement date: 1 March 2023  
Original Nominal amount: R573 557 919 ( Current Nominal amount R 246 357 342)  
Fixed rate: 9,75% and variable rate: Jibar + 2,55 basis points  
Payable: Semi-annual

City of Johannesburg: (Trade number - SWS BK 2RS)  
Trade date: 30 June 2014 and Settlement date: 30 June 2034  
Nominal amount: R1 600 000 000  
Fixed rate: 11,0% and variable rate: Jibar + 2,50 basis points  
Payable: Semi-annual

City of Johannesburg: (Trade number - 12503628)  
Trade date: 18 August 2015 (effective date 29 June 2015) and Settlement date: 29 June 2035  
Nominal amount: R1 500 000 000  
Fixed rate: 11,48% and variable rate: Jibar + 2,4 basis points  
Payable: Semi-annual

City of Johannesburg: (Trade number - 12503643)  
Trade date: 20 July 2017 and Settlement date: 23 June 2027  
Original Nominal amount R1 000 000 000 ( Current Nominal amount R 779 576 245)  
Fixed rate: 10,55% and variable rate: Jibar + 2,65 basis points  
Payable: Semi-annual

Nedbank: (Trade number - 18569588)  
Trade date: 1 April 2014 and Settlement date: 30 June 2026  
Original Nominal amount: R943 766 167 (Current Nominal amount R 523 681 817)  
Fixed rate: 9,31% and variable rate: Jibar + 2,22 basis points  
Payable: Semi-annual

Nedbank: (Trade number - 24157050)  
Trade date: 1 April 2014 and Settlement date: 30 June 2026  
Nominal amount R890 312 448: Current Nominal amount R 523 681 817  
Fixed rate: 9,31% and variable rate: Jibar + 2,22 basis points  
Payable: Semi-annual

\* See Note 62

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

	2020	2019 Restated*
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### Fair values of financial assets measured or disclosed at fair value:

#### Class 1 : Interest rate swaps -

The method to determine the fair value of the interest rate swaps is the discounted cash flow method. Various parameters are used to value the swaps, eg start date, end date, payment dates in between, fixed rate, floating rate spread, payment frequency, yield curve, etc. Cash flows are discounted using the zero curve.

#### Fair value hierarchy of financial assets at fair value -

For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurement. The fair value hierarchy have the following levels:

Level 1: represents those assets which are measured using unadjusted quoted prices in active markets for identical assets

Level 2: applies inputs other than quoted prices that are observable for the assets either directly (ie as prices) or indirectly (ie derived from prices).

Level 3: applies inputs which are not based on observable market data.

The City of Tshwane classifies its interest rate swaps as level 2 and no transfers were made between the different levels of the hierarchy in the year under review. None of the financial assets that are fully performing have been renegotiated in the last year.

#### Nominal value of financial assets at fair value:

The original nominal value of the existing interest rate swaps were R6 507 636 534 as at 30 June 2020.

The current nominal value of the existing interest rate swaps are R 5 173 297 221 as at 30 June 2020.

Interest paid on the interest rate swaps to the amount of R64 298 818.78 were recognised in surplus or deficit during 2019/20 as part of finance cost - refer note 39.

Interest paid on the interest rate swaps to the amount of R47 747 346 were recognised in surplus or deficit during 2018/19 as part of finance cost - refer note 39.

The fair value of interest rate swaps for the period under review is as indicated below.

#### Interest rate swap - amounts (in total)

Interest rate swap asset	31 298 484	-
Interest swap liability	(413 339 043)	(219 999 785)
	<b>(382 040 559)</b>	<b>(219 999 785)</b>

### 15. Payables from exchange transactions

Trade payables	4 363 855 786	3 376 404 826
Payments received in advance - various services	37 604 516	17 453 160
Accrued leave pay	1 096 569 740	866 345 963
Deposits received	45 202 489	45 047 485
Debtors with credit balances - reclassification	966 466 785	955 202 995
Other creditors	1 098 781 835	961 927 661
Retention creditors	547 032 262	557 957 024
Accrual 13th cheque	226 069 203	207 950 165
Smart meter take-on account	-	288 592 695
	<b>8 381 582 616</b>	<b>7 276 881 974</b>

\* See Note 62

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

	2020	2019 Restated*
<b>16. VAT payable</b>		
Tax refunds payables	2 023 746 716	2 445 901 619
VAT is payable on the receipt basis. Only once payment is received from debtors is VAT paid over to SARS. All VAT returns have been submitted by the due date throughout the financial year.		
<b>17. Consumer deposits</b>		
Electricity and water	673 376 886	558 775 598
The amounts of guarantees held as indicated below are not included/recognised in the statement of financial position as it will only be accounted for once the guarantee is activated. Currently it is only a disclosure item.		
<b>Guarantees held:</b>		
Electricity and water consumers (who do not have deposits)	155 638 135	153 166 265
Township Development guarantees	346 073 900	352 547 644
	<b>501 712 035</b>	<b>505 713 909</b>
<b>18. Unspent conditional grants and receipts</b>		
<b>Unspent grants and receipts comprises of:</b>		
<b>Unspent conditional grants and receipts</b>		
Public Transport Network Grant Operations (PTNGO)	14 911 283	-
Human Settlement Development Grant (HSDG)	168 138 451	210 369 335
DoRA: HIV/Aids	7	696 579
Urban Settlement Development Grant (USDG)	189 148 307	50 891 019
Public Transport Network Grant (PTNG)	37 665 058	-
Informal Settlements Upgrading Partnership	42 779 776	-
Neighbourhood Development Partnership Grants (NDPG)	1 268 000	-
Recapitalisation of Community Libraries Grant	13 736 165	2 837 315
Tirelo Boshha grant	384 498	384 498
Gautrans	11 961 294	11 961 294
Social infrastructure grant	4 517 156	3 344 403
LG SETA Discretionary grant	104 185	4 223 085
TRT subsidy	-	1 271 943
Electricity Demand Side (EEDMS)	146 058	9 743 454
Integrated City Development (ICDG)	1 847 136	1 178 786
	<b>486 607 374</b>	<b>296 901 711</b>
<b>Movement during the year</b>		
Balance at the beginning of the year	296 901 711	470 930 372
Receipts during the year	6 462 850 615	6 509 644 044
Returned to National Treasury (returned to National Treasury - deducted from current year equitable share)	(31 569 334)	(151 272 000)
Repaid to grantors	(61 813 259)	(2 089 916)
Prior year restatement	-	(15 496 386)
Income recognition during the year	(6 179 762 359)	(6 514 814 403)
	<b>486 607 374</b>	<b>296 901 711</b>

The amounts above show:

- The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and
- unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 32 for reconciliation of grants from National/Provincial Government.

\* See Note 62

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

	2020	2019 Restated*
<b>18. Unspent conditional grants and receipts (continued)</b>		
These amounts are invested in a ring-fenced investment until utilised.		
<b>19. Loans and bonds</b>		
<b>Summary of Long Term Borrowings:</b>		
Bullet Loans	6 302 021 466	4 882 483 148
Municipal bonds	2 177 419 005	2 177 419 005
Annuity loans	3 614 793 466	4 509 789 176
	<b>12 094 233 937</b>	<b>11 569 691 329</b>
<b>Held at amortised cost</b>		
<b>Bullet Loans</b>		
<b>Development Bank of South Africa (1-2100)</b>	1 600 000 000	1 600 000 001
Secured 20 year bullet loan, Jibar rate +2.5 margin interest rate repayable semi-annually, while capital will be redeemed by way of a bullet repayment on the final redemption date, 30 June 2034.		
<b>Development Bank of South Africa (1-02)</b>	-	80 021 202
Secured 20 year bullet loan, Jibar floating rate repayable quarterly, while capital will be redeemed by way of a bullet repayment on the final redemption date, 31 December 2019. A redemption fund investment have been made for the purpose of providing for the capital repayment at the date of redemption.		
<b>Nedbank (1-2300)</b>	1 200 389 918	1 201 169 753
Secured 10-year bullet loan, fixed interest rate 11.86% repayable quarterly , while capital will be redeemed by way of a bullet repayment on the final redemption date, 30 June 2026.		
<b>Development Bank of South Africa (1-22)</b>	1 500 000 000	1 500 000 000
Secured 20 year bullet loan, Jibar rate + 2.4 margin interest rate repayable semi-annually, while capital will be redeemed by way of a bullet repayment on the final redemption date, 30 June 2035.		
<b>Development Bank of South Africa (1-2551)</b>	1 500 789 863	-
Secured 20 year bullet loan, Jibar rate repayable quarterly , while capital will be redeemed by way of a bullet repayment on the final redemption date, 30 June 2040.		
<b>Nedbank (1-2500)</b>	500 841 685	501 292 192
Secured 10-year loan. (jibar) variable interest rate Repayable with quarterly instalments of interest and capital with interest payable on reducing balance until capital is paid off on 30 June 2029.		
<b>Municipal bonds</b>		
<b>ABSA Bank (1-1900)</b>	573 927 890	573 927 890
Secured 15-year bond. Fixed interest rate repayable semi-annually, while capital will be redeemed by way of a bullet repayment on the final redemption date, 3 April 2028. A redemption fund investment have been made for the purpose of providing for the capital repayment at the date of redemption.		
<b>ABSA Bank (1-1901)</b>	848 437 142	848 437 141
Secured 10-year bond. Fixed interest rate repayable semi-annually, while capital will be redeemed by way of a bullet repayment on the final redemption date, 3 April 2023. A redemption fund investment have been made for the purpose of providing for the capital repayment at the date of redemption.		
<b>ABSA Bank (1-1950)</b>	755 053 973	755 053 973
Secured 15-year bond. Fixed interest rate repayable semi-annually, while capital will be redeemed by way of a bullet repayment on the final redemption date, 5 June 2028. A redemption fund investment have been made for the purpose of providing for the capital repayment at the date of redemption.		

\* See Note 62

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

	2020	2019 Restated*
<b>19. Loans and bonds (continued)</b>		
<b>Annuity loans</b>		
<b>Standard Bank (1-1300)</b>	540 705 707	609 107 038
Unsecured variable interest rate 15-year loan repayable semi-annually in installments of interest and capital with interest payable on reducing balance until capital is paid off on 29 June 2026.		
<b>ABSA Bank (1-2450)</b>	788 293 779	867 346 748
Unsecured (Jibar) variable interest rate 10-year loan repayable with quarterly equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 30 June 2027.		
<b>ABSA Bank (1-2501)</b>	901 137 600	1 002 190 330
Unsecured (Jibar) variable interest rate 10-year loan repayable with quarter in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 30 June 2029.		
<b>Development Bank of South Africa (1-950)</b>	91 827 315	105 919 232
Unsecured fixed interest 20-year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 30 June 2029.		
<b>Development Bank of South Africa (1-851)</b>	17 959 209	32 858 428
Unsecured fixed interest 13-year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 31 March 2021.		
<b>Development Bank of South Africa (1-800)</b>	136 624 978	158 511 030
Unsecured fixed interest 20-year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 30 June 2028.		
<b>Development Bank of South Africa (1-700)</b>	54 784 847	64 320 973
Unsecured fixed interest 20-year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 30 June 2028.		
<b>Development Bank of South Africa (1-701)</b>	137 288 165	160 648 151
Unsecured fixed interest 20-year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 30 June 2028.		
<b>Development Bank of South Africa (1-501)</b>	47 433 267	115 985 823
Unsecured fixed interest 15-year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 31 December 2021.		
<b>Development Bank of South Africa (1-500)</b>	9 169 912	22 653 642
Unsecured fixed interest 15-year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 31 December 2021.		
<b>Development Bank of South Africa (1-200)</b>	16 466 599	64 462 437
Unsecured fixed interest 15-year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 31 December 2020.		
<b>INCA (1-100)</b>	-	26 869 983
Unsecured fixed interest 15-year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 31 March 2020.		
<b>iVuzi Investments (1-550)</b>	33 363 717	53 302 899
Unsecured fixed interest 15-year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 12 December 2021.		

\* See Note 62

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

	2020	2019 Restated*
<b>19. Loans and bonds (continued)</b>		
<b>iVuzi Investments (1-450)</b>	9 934 406	18 736 530
Unsecured fixed interest 15-year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 30 June 2021.		
<b>iVuzi Investments (1-300)</b>	6 633 751	18 553 608
Unsecured fixed interest 15-year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 31 December 2020.		
<b>iVuzi Investments (1-150)</b>	-	6 693 691
Unsecured fixed interest 15-year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 30 June 2020.		
<b>Nedbank (1-1150)</b>	-	52 193 085
Unsecured variable interest rate 10-year loan repayable in semi-annual installments of interest and capital with interest payable on reducing balance until capital is paid off on 30 June 2020.		
<b>Nedbank (1-1100)</b>	-	52 594 206
Unsecured variable interest rate 10-year loan repayable in semi-annual installments of interest and capital with interest payable on reducing balance until capital is paid off on 30 June 2020.		
<b>Nedbank (1-852)</b>	23 568 891	44 374 515
Unsecured fixed interest 13-year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 31 March 2021.		
<b>ABSA Bank Ltd (1-850)</b>	34 294 991	64 560 826
Unsecured fixed interest 13-year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 31 March 2021.		
<b>iVuzi (FirstRand Bank) (1-1850)</b>	105 263 158	157 894 737
Unsecured (Jibar) variable interest rate 9-year loan repayable in semi-annual equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 30 June 2022.		
<b>Nedbank (1-1800)</b>	266 960 126	340 755 441
Unsecured (Jibar) variable interest rate 16-year loan repayable in semi-annual equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 1 March 2023.		
<b>iVuzi (FirstRand Bank) (1-1851)</b>	241 379 310	275 862 068
Unsecured (Jibar) variable interest rate 14-year loan repayable in semi-annual equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 1 December 2027.		
<b>Nedbank (1-1801)</b>	151 703 739	193 393 755
Unsecured (Jibar) variable interest rate 12-year loan repayable in semi-annual equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 1 March 2023.		
	<b>12 094 233 938</b>	<b>11 569 691 328</b>
<b>Non-current liabilities</b>		
At amortised cost	11 347 537 099	10 663 063 567
<b>Current liabilities</b>		
At amortised cost	746 696 839	906 627 762
	<b>12 094 233 938</b>	<b>11 569 691 329</b>

\* See Note 62

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

	2020	2019 Restated*
<b>19. Loans and bonds (continued)</b>		
<b>Secured and unsecured long-term liabilities</b>		
Secured	8 479 440 471	7 059 902 153
Unsecured	3 614 793 469	4 509 789 175
	<b>12 094 233 940</b>	<b>11 569 691 328</b>
No defaults or breaches of loans occurred in the period under review.		
The weighted average interest rate is 9. % (2019: 9.90%).		
<b>20. Finance lease obligation</b>		
<b>Minimum lease payments due</b>		
- within one year	346 423 079	338 782 248
- in second to fifth year inclusive	490 732 337	627 697 191
	837 155 416	966 479 439
less: future finance charges	(244 952 928)	(134 902 727)
<b>Present value of minimum lease payments</b>	<b>592 202 488</b>	<b>831 576 712</b>
<b>Present value of minimum lease payments due</b>		
- within one year	333 096 282	321 161 158
- in second to fifth year inclusive	259 106 207	507 506 766
	<b>592 202 489</b>	<b>828 667 924</b>
Non-current liabilities	259 106 207	507 506 766
Current liabilities	333 096 282	321 161 157
	<b>592 202 489</b>	<b>828 667 923</b>
Value of leases (amortised cost, i.e. present value)	592 202 489	831 576 712
Net book value of leased assets	524 282 885	769 750 525

The lease liabilities reflected above relate to the lease contract of Fleet Management for the supply of fleet vehicles and fleet-related services. The lease contract of Fleet Management is a public-private partnership agreement between the following companies - \* Moipone Group of Companies (Pty) Ltd for the supply of category A and C fleet vehicles and fleet-related services;

\* Fleet Africa, a division of Super Group Africa (Pty) Ltd for the supply of category E fleet vehicles and fleet-related services; and\* Fleetmatics VMS (Pty) Ltd for the supply of category B fleet vehicles and fleet-related services. Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default. The lease term varies between 27 months and 5 years and the average effective borrowing rate is 10.25%.

Interest rates are variable at the contract date. It is municipality policy to lease certain [property] motor vehicles and equipment under finance leases.

\* See Note 62

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

	2020	2019 Restated*
<b>21. Employee benefit obligations</b>		
<b>Defined contribution plan (as classified by the relevant fund):</b>		
The municipality contributes to the following defined contribution plans, which are governed by the pension fund Act of 1956. The total contribution plan are included under employee related costs A		
<b>Tshwane Municipal Provident</b>		
Fund/Tshwane Municipal Gratuity Fund 6031 of the municipality's employees are members of this fund	478 306 842	436 796 711
Pension Fund for Municipal Councillors 1 of the municipality's employees is a member of the fund	6 011 193	7 165 449
National fund for municipal workers 8121 of the municipality's employees are members of the fund	634 294 657	582 781 732
SALA provident fund/ gratuity fund 37 of the municipality's employees are members of the fund	1 228 501	1 352 691
SAMWU National pension fund 12 of the municipality's employees are members of the fund	1 118 370	1 149 238
SAMWU National provident fund 999 of the municipality's employees are members of the fund	74 394 330	70 744 657
Germiston municipal retirement fund 4 of the municipality's employees are members of the fund	755 843	673 952
Meshawu gratuity fund 22 of the municipality's employees are members of the fund	1 284 025	1 429 794
Sandspruit Alexander forbes and spouse cover 352 of the municipality's employees are members of the fund	16 653 609	16 081 157
	<b>1 214 047 370</b>	<b>1 118 175 381</b>

\* See Note 62



# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

	2020	2019 Restated*
<b>21. Employee benefit obligations (continued)</b>		
<b>Defined benefit plan</b>		
TSHWANE MUNICIPAL PENSION FUND		
Tshwane municipal pension fund is a defined benefit plan. The cost of the providing these benefits is determined on the projected unit credit method prescribed by GRAP 25 and actuarial valuations are performed at each reporting date. The retirement benefit obligation presented in the statement of financial position presents the sum of the present value of the obligation less the fair value of the plan assets		
151 of the municipal employees are members of this fund		
Actuarial valuations are only done at year end. The movement reflected in these financial statements originates from estimates from the previous financial year actuarial report.		
<b>Included in general expenses are:</b>		
Current service costs	22 942 152	23 687 464
Interest cost	197 222 750	213 130 844
Expected return on asset	(201 550 619)	(221 906 099)
Actuarial gains/losses	(346 082 798)	44 644 196
Effect of change in paragraph 68 asset limitation	341 696 929	-
<b>Defined benefit expense</b>	<b>14 228 414</b>	<b>59 556 405</b>
<b>Post-employment benefit liability (funded status)</b>		
Present value of the obligation	(1 824 809 807)	(2 282 214 075)
Fair value of obligation	2 216 587 782	2 332 295 121
<b>Surplus not recognize in statement of financial position/(Liability recognised in statement of financial position)</b>	<b>391 777 975</b>	<b>(50 081 046)</b>
<b>Reconciliation of defined benefit obligation:</b>		
Present value of obligation at beginning of year	2 282 214 075	2 315 093 235
Interest cost	197 222 750	213 130 844
Current service cost	22 942 152	23 687 464
Members contribution	5 688 810	5 723 184
Risk premium	-	(1 704 221)
Benefits paid	(190 447 723)	(155 360 986)
Actuarial gains/loss on obligation	(492 810 257)	(118 355 445)
<b>Present value of obligation at year end</b>	<b>1 824 809 807</b>	<b>2 282 214 075</b>
<b>Reconciliation of plan assets</b>		
Fair value of planned asset at beginning of year	2 332 295 121	2 410 412 771
Expected return on plan assets	201 550 619	221 906 099
Contributions: members	5 688 810	5 723 184
Contributions: employer	14 228 414	14 317 915
Risk premiums	-	(1 704 221)
Benefits paid	(190 447 723)	(155 360 986)
Actuarial gain/loss on obligation:	(146 727 459)	(162 999 641)
<b>Fair value of plan asset at end of year</b>	<b>2 216 587 782</b>	<b>2 332 295 121</b>
#none of the municipality's own financial instruments or property are included in the fair value of plan assets		
<b>Composition of plan assets</b>		
Cash	5.03%	18.17 %
Equity	21.01%	40.68 %
Bonds	51.62%	8.45 %

\* See Note 62

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

	2020	2019 Restated*
<b>21. Employee benefit obligations (continued)</b>		
Property	1.11%	4.65 %
Other	3.63%	2.33
international	17.59	25.72
Total	100.00%	100.00%
Actuarial return on plan asset	201 550 619	221 906 099
Estimated contributions to be paid in the next financial period	155 387 375	19 561 941
	-	-
<b>Municipal gratuity fund</b>		
1326 of the municipality's employees are members of this fund. No specific plan assets are set aside for the gratuity fund.		
<b>Included in general expenses</b>		
Current service cost	-	3 087 427
Interest cost	773 494	3 547 043
Net actuarial/Unrecognized net (gain)/loss	21 787 839	(13 007 830)
<b>Defined benefit expense</b>	<b>22 561 333</b>	<b>(6 373 360)</b>
<b>Post-employment benefit liability</b>		
Present value of obligation	21 928 150	(46 282 583)
Net (expense) income recognized in the statement of financial performance	109 482	24 354 433
<b>Liability recognised in statement of financial position</b>	<b>22 037 632</b>	<b>(21 928 150)</b>
<b>Reconciliation of defined benefit obligation</b>		
Present value of obligation at beginning of year	21 928 150	46 282 583
Interest cost	773 494	3 547 043
Current service cost	-	3 087 427
Benefits paid	(22 451 851)	(17 981 073)
Actuarial (gain)/loss on obligation	21 787 839	(13 007 830)
<b>Present value of obligation at end of year</b>	<b>22 037 632</b>	<b>(21 928 150)</b>
Estimated benefit payments to be paid in respect of gratuities in the next financial period	21 085 026	21 493 855
<b>Multi-employer funds</b>		
Multi-employer funds are treated as defined contribution funds, due to the nature of these funds and the fact that assets are not specifically associated to meet the obligation in respect of individual employers in terms of paragraph 30 of GRAP 25. The total contributions are included in the employees related costs note.		

\* See Note 62

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

	2020	2019 Restated*
<b>21. Employee benefit obligations (continued)</b>		
SALA pension fund	31 369 187	31 756 495
The actuarial valuation is carried out annually since 1 July 1998. 353 of the municipality's employees are members of the fund		
The government employees' pension fund:	110 981	174 573
Actuarial valuations are performed every 3 years.		
2 of the municipality's employees are members of the fund		
Joint municipal pension fund	3 681 277	4 008 907
Actuarial valuations are performed every 3 years.		
21 of the municipality's employees are members of the fund		
Municipal employee pension fund	156 541 318	147 462 473
1947 of the municipality's employees are members of the fund		
National fund for municipal	120 887	145 487
councillors/Consolidated retirement fund		
for councillors		
	<b>191 823 650</b>	<b>183 547 935</b>
<b>Medical aid funds</b>		
The municipality provides certain post-retirement medical benefits by funding the medical aid contributions of certain retired members of the municipality. According to the rules of the medical aid funds associated with the municipality, a member who joined the municipality under the current conditions of services retires, is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for certain portion of the medical aid membership fee.		
The cost of providing these benefits is determined on the basis of the projected unit credit method prescribed by GRAP 25. Future benefit values are projected using specific actuarial assumptions and the liability for the in-service members is accrued over expected working lifetime. No plan assets exist and any actuarial gains and losses are recognized immediately		
<b>Included in general expenses</b>		
Current service cost	6 527 000	7 430 614
Interest cost	102 556 000	100 914 358
Expected employer benefit payments	(75 425 000)	(63 280 957)
<b>Defined benefit expenses</b>	<b>33 658 000</b>	<b>45 064 015</b>
<b>Post-employment benefit liability (funded status)</b>		
Present value of the unfunded obligation	(1 163 816 906)	(1 103 345 361)
Recognised actuarial gains	42 496 000	(60 470 545)
<b>Liability recognised in statement of financial position</b>	<b>(1 121 320 906)</b>	<b>(1 163 815 906)</b>
<b>Reconciliation of defined benefit obligation</b>		
Present value of unfunded obligation at beginning of year	1 163 816 906	1 103 345 361
Interest cost	102 556 000	100 914 358
Current service cost	6 527 000	7 430 614
Employer contribution	(75 425 000)	(63 280 957)
Actuarial (gains)/losses	(76 154 000)	15 406 530
<b>Present value of obligation at end of year</b>	<b>1 121 320 906</b>	<b>(1 163 815 906)</b>
Estimated employer benefit payments to be paid in the next financial period	80 115 000	70 216 014
<b>Sensitivity results</b>		
The effect of the increase or decrease of one percentage point in the assumed health cost limitation is the following:		

\* See Note 62

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

	2020	2019 Restated*
<b>21. Employee benefit obligations (continued)</b>		
<b>Subsidy increase rate</b>		
Accrued liability 30 June	1 121 320	1 163 815 906
Decrease of 1%	1 018 042	1 108 652 000
Percentage change	-9.21%	-5.0%
Increase of 1%	1 242 945	1 197 226 000
Percentage change	-10.85%	3.0 %
 Long-service awards		
<b>Included in general expenses</b>		
Current service cost	64 444 641	66 142 852
Interest cost	50 894 499	56 571 588
Expected employer benefit payments	(45 661 495)	(66 629 175)
Recognised net actuarial (gain)/loss	1 335 178	(87 776 536)
	<b>71 012 823</b>	<b>(31 691 271)</b>

\* See Note 62

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

	2020	2019 Restated*
<b>21. Employee benefit obligations (continued)</b>		
<b>Post-employment benefit liability (funded status)</b>		
Present value of the unfunded obligation	(649 683 843)	(681 375 114)
Recognized actuarial gains/ Loss	(71 012 823)	31 691 271
<b>Liability recognised in statement of financial position</b>	<b>(720 696 666)</b>	<b>(649 683 843)</b>

\* See Note 62

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

	2020	2019 Restated*
<b>21. Employee benefit obligations (continued)</b>		
<b>Reconciliation of defined benefit obligation</b>		
Present value of unfunded obligation at beginning of year	649 683 843	681 375 114
Interest cost	50 894 499	56 571 588
Current service cost	64 444 641	66 142 852
Employer contributions	(45 661 495)	(66 629 175)
Actuarial gains/losses	1 335 178	(87 776 536)
<b>Present value of obligation at end of year</b>	<b>720 696 666</b>	<b>649 683 843</b>
Estimated employer benefit payments to be paid in the next financial period	97 477 386	71 452 801
<b>Sensitivity Results</b>		
<b>Salary increase rate</b>		
Accrued liability 30 June	720 696 666	649 683 843
Decrease of 1%	673 453 069	605 205 000
Percentage change	6.56%	7.0%
Increase of 1%	773 428 812	699 508 000
Percentage change	7.32%	8.0 %
<b>Post-employment benefit liability: Statement of financial position</b>		
Municipal Gratuity Fund	22 037 632	21 928 150
Medical aid funds	1 121 320 906	1 163 815 906
Long service awards	720 696 666	649 683 843
	<b>1 864 055 204</b>	<b>1 835 427 899</b>
<b>Post-employment benefit liability: Current portion</b>		
Municipal Gratuity Fund	21 085 026	21 493 855
Medical aid funds	80 115 000	70 216 014
Long- service awards	97 477 386	71 452 801
	<b>198 677 412</b>	<b>163 162 670</b>
<b>Post-employment benefit liability: Non-current portion</b>		
Municipal Gratuity Fund	952 606	434 295
Medical aid funds	1 041 205 906	1 093 599 892
Long- service awards	623 219 280	578 231 042
	<b>1 665 377 792</b>	<b>1 672 265 229</b>

\* See Note 62

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

	2020	2019 Restated*
<b>21. Employee benefit obligations (continued)</b>		
<b>Actuarial (gains)/losses recognised in other comprehensive income</b>		
Tshwane pension fund	(146 727 459)	44 644 196
Municipal gratuity fund	21 787 839	(13 007 830)
Medical aid funds	(76 154 000)	15 406 530
Long service awards	1 335 178	(87 776 536)
	<b>(199 758 442)</b>	<b>(40 733 640)</b>

### Economic assumptions (pension fund and gratuities):

Discount rate	12.65%	8.64 %
Inflation rate	7.34%	4.78 %
Salary Increase rate	8.34%	5.78 %
Expected rate of return on assets	12.65%	8.64 %
Pension increase allowance	6.42%	4.28 %
Health Care Cost Inflation	8.70%	6.60 %

### Other defined benefit pension funds

#### Discount rate ( pension and gratuities)

The rate to discount post employment benefit obligations should be derived from quality corporate bond yields where the market in such bonds is highly liquid. If the market is not liquid then government bond yields at the estimated term of the defined benefit obligation should be used. Consequently a discount rate of 12.65% per annum has been used. This rate does not reflect an adjustment for taxation or expenses as per the statement.

#### Inflation rate (pension and gratuities)

While not used explicitly in the valuation, we have assumed the underlying future rate of consumer price inflation (CPI) to be 7.34% per annum. This assumption has been based on the relationship between current conventional bond yields and current index-linked bond yields.

#### Salary increase

It was assumed that salaries will increase at a rate of 1.0% per annum in excess of price inflation. The results in a general salary inflation rate of 8.34% per annum.

#### Expected return on assets

The expected return on assets is assumed to be the discount rate of 12.65% per annum as at 30 June 2020.

#### Post-retirement discount rate

The pension increase policy of the TMPenF targets pension increases between 75% and 100% of inflation. The pension has been assumed that it will increase at a rate of 87.5% of price inflation. This results in a pension increase rate of 6.42% per annum.

#### Medical inflation

The medical aid contributions have been assumed that it will increase at a rate 1.5% per annum in excess of price inflation. This results in a medical contribution inflation rate of 8.70% per annum.

\* See Note 62

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

	2020	2019 Restated*
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### 21. Employee benefit obligations (continued)

#### History of liabilities, assets and experience adjustments

Amounts for the current and previous four years are as follows:

History of liabilities and assets	2020	2019	2018	2017
Accrued liability	1 864 052 298	1 835 427 899	1 831 003 058	1 969 005 934
Surplus (deficit)	(1 864 052 298)	(1 835 427 899)	(1 831 003 058)	(1 969 005 934)
Experience adjustments on plan: (Gains) and Losses	-	-	-	-
Liabilities	100 277 017	6 654 617	(42 018 063)	20 316 258
	-	-	-	-

\* See Note 62



# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

	2020	2019 Restated*
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### 22. Provisions

#### Reconciliation of provisions - June 2020

	Opening Balance	Unwinding of interest rate	Utilised during the year	Reversed during the year	Total
Clearing of alien vegetation	28 126 327	2 679 946	(1 832 219)	1 968 266	30 942 320
Legal proceedings	122 409 485	-	(2 383 128)	297 025 496	417 051 853
Landfill sites	812 955 673	28 864 848	(3 422 285)	2 540 956	840 939 192
Quarries	43 976 528	4 687 286	(3 073 119)	9 201 199	54 791 894
	<b>1 007 468 013</b>	<b>36 232 080</b>	<b>(10 710 751)</b>	<b>310 735 917</b>	<b>1 343 725 259</b>

#### Reconciliation of provisions - June 2019

	Opening Balance	Unwinding of interest rate	Utilised during the year	Reversed during the year	Total
Clearing of alien vegetation	23 199 023	2 533 672	(3 956 302)	6 349 934	28 126 327
Legal proceedings	153 549 938	-	(11 981 020)	(19 159 433)	122 409 485
Landfill sites	728 966 054	73 232 586	(5 962 119)	16 719 152	812 955 673
Quarries	38 219 554	3 961 489	(3 003 695)	4 799 180	43 976 528
	<b>943 934 569</b>	<b>79 727 747</b>	<b>(24 903 136)</b>	<b>8 708 833</b>	<b>1 007 468 013</b>

#### Environmental rehabilitation provision - landfill sites

The municipality has an obligation to rehabilitate its landfill sites in terms of its license stipulations. The amount of the provision is recognised at the present value of the expenditure expected to be required to settle the obligation and is carried at amortised cost.

##### 2019/20:

The net movement in the provision amounted to R27 983 519 increase (2019 = R83 989 619 increase). The decrease in the cost of property, plant and equipment amounted to R24 541 555 (2019 = R10 437 183 increase). The amount recognised in surplus or deficit due to re-estimation where the adjustment exceeds the carrying amount of the asset amounted to R6 373 490 (2019 = R18 987 274). The amount utilised amounted to R3 422 285 (2019 = R5 962 119).

#### Clearing of alien vegetation

In terms of the Conservation of Agricultural Resources Act, 1983 (Act 43 of 1983) the provision for the clearing of alien vegetation was established to address the backlogs that exist.

##### 2019/20

The net movement in the provision amounted to R2 779 993 increase (2019 = R4 927 304 increase). The decrease in the cost of property, plant and equipment amounted to R1 279 546 (2019 = R2 274 112). The amount recognised in surplus or deficit due to reestimation where the adjustment exceeds the carrying amount of the asset amounted to R2 365 189 (2019 = R0). The amount utilised during the year amounted to R1 832 219 (2019 = R3 956 302).

#### Rehabilitation of quarries

In terms of the Mineral and Petroleum Resources Development Act, 2002 (Act 28 of 2002), Section 52(2)(d), the municipality is required to rehabilitate its quarries and borrow pits after these quarries and borrow pits have been closed. The amount of the provision is recognised at the present value of the expenditure expected to be required to settle the obligation and is carried at amortised cost.

##### 2019/20

The net movement in the provision amounted to R10 815 366 increase (2019 = R5 756 974 increase). The increase in the cost of property, plant and equipment amounted to R2 122 985 (2019 = R3 043 702). The amount recognised in surplus or deficit due to reestimation where the adjustment exceeds the carrying amount of the asset amounted to R6 081 273 (2019 = R1 073 137). The amount utilised during the year amounted to R3 073 119 (2019 = R3 003 695).

#### Legal proceedings provision

\* See Note 62

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

2020

2019  
Restated\*

### 22. Provisions (continued)

A provision for legal cost with regard to certain cases was created due to the fact that it was probable (more likely than not) that a present obligation existed at the reporting date and that the municipality will be liable for the legal cost in these cases. The history and nature of these cases further indicate that the liability is more of a long-term nature.

#### 2019/20

The net movement in the provision amounted to R294 642 368 increase (2019 = R31 140 453 decrease). The amount utilised during the year amounted to R2 383 128 (2019 = R11 981 020).

The cases included in the provision is still pending and disclosing details will prejudice the position of the municipality in a dispute with other parties on the subject matter.

Due to the nature of the legal cases it is not foreseen that it will be finalised within the next 12 months and therefore there is no shortterm portion.

### 23. Service concession arrangement

#### Tshwane Broadband Network:

The City of Tshwane has entered into a Build Operate and Transfer agreement with Newshelf 1327 Pty Ltd (in the process of being renamed as Thobela Telecoms (RF) (Pty) Ltd), to finance, construct and operate a municipal broadband network. This agreement will be subject to review once every three (3) years. The service provider is appointed to build the Network and to provide the operate services, additional services and maintenance services to City of Tshwane.

The private party will obtain project finance for the Build phase of the network and once the minimum threshold is achieved then the municipality shall make payment to the private party on the basis set out in the agreement. From the effective date until the acceptance date of the last Section of the Network Built ("First phase") the municipality commits to pay a monthly amount to the service provider as calculated in the formula set out in clause 37.2 (the "Build Payment Formula"). This payment will only start once the minimum threshold is achieved.

The City has requested the High Court to review the above transaction. The matter was heard in court for the first time in May 2018 and the parties are awaiting the judgement of the High Court.

On 24 August 2020, the Supreme Court of Appeal heard the case for appeal against the setting aside of the BOT contract. Judgement was handed down on 5 October 2020 where the appeal was upheld with costs for the two counsel. Furthermore, the order of the court was set aside and replaced with "the application is dismissed with cost including those of two counsel

\* See Note 62

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

	2020	2019 Restated*
<b>23. Service concession arrangement (continued)</b>		
<b>Tshwane House:</b>		
The City of Tshwane has entered into a service concession agreement with Tsela Tshweu (the Consortium), a private Consortium led by Group 5, to finance, construct and operate the Tshwane Head Office. The agreement is for a period of 27 years of which 2 years was for the construction of the property and 25 years to operate the property on behalf of City of Tshwane. At the end of the 27 year agreement ownership of the building will pass to the City of Tshwane. The agreement is in the third year of the operational stage. Occupation took place in June 2017.		
For the 2019/20 financial year the value of the asset and liability amounted to R 1 010 641 988 and R 1 173 478 189 respectively.		
For the 2018/19 financial year the value of the asset and liability amounted to R1 048 306 306 and R1 147 216 010 respectively.		
<b>The service concession liability in respect of Tshwane House is indicated below:</b>		
<b>Minimum future payments</b>		
No later than one year - Service cost	249 166 667	242 016 667
Later than one year but not later than five year	1 349 164 538	1 388 062 080
Later than five years	5 417 983 459	7 772 460 741
Less: Future finance charges on finance lease	(4 893 627 331)	(6 981 527 090)
Less: Future service cost on finance lease	(949 209 144)	(1 273 796 388)
<b>Present value of service concession liability</b>	<b>1 173 478 189</b>	<b>1 147 216 010</b>
<b>Present value of the capital portion of the service concession liability</b>		
No later than one year - Service cost	(24 245 495)	(49 416 517)
Later than five years	(90 697 928)	(248 101 009)
	1 288 421 612	1 444 733 536
	<b>1 173 478 189</b>	<b>1 147 216 010</b>
Fair value of liability (amortised cost ie present value)	1 173 478 189	1 147 216 010
Collateral held on the above service concession (Net book value of assets) (Refer to Note 10 - Tshwane House)	1 010 641 988	1 048 306 306

### Denneboom Station Public Transport Interchange:

The City of Tshwane Metropolitan Municipality entered into a service concession and Lease Agreement with the Concessionaire (Interdent Management Services (Pty) Ltd.) on the 7<sup>th</sup> September 2012 in terms of which the Concessionaire obtained the right to lease Erven 35385, Mamelodi, Extension 13, Erf 40331 Mamelodi Extension 24 and Portion 2 of Erf 19687, Mamelodi (the Properties) and to develop the properties at its costs as an interchange for public transport and for commercial purposes for its own cost and account. The City will throughout the currency of the agreement, retain the full and undisturbed right to regulate, manage and administer the taxi operations through, over or on the interchange and the allocation or lease of bus or taxi rank space and holding areas on the properties.

Interdent Management Services is granted the right to earn revenue from third-party users of the service concession asset as they are entitled to rent for their own account lettable space in the Interchange to users. Interdent also receives a non-cash compensation from the City by getting a rebate from property rates. The City does not incur a cost directly for acquiring the service concession asset as the development will be funded by a private developer.

Upon the termination of the service concession for whatever reason whether as a consequence of the effluxion of time or otherwise, all buildings and other permanent structures on the interchange shall remain the property of the City. The service concession agreement will lapse after 29 years and 11 months.

Construction commenced in September 2016 and the fair value as at 30 June 2018 being the cost of construction of the building was calculated and stated to be R378 474 359.29, this is also the value of the asset and liability as at 30 June 2018.

The lease term is also 29 years and 11 months as from the effective date and the rental payable by Interdent Management Services (Pty) to the City of Tshwane is R1 per month. As the rental receivable by the City from Interdent is not material, disclosure thereof has been omitted purposely.

\* See Note 62

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

	2020	2019 Restated*
<b>23. Service concession arrangement (continued)</b>		
<b>The service concession liability in respect of Denneboom Station Public Transport Interchange is indicated below:</b>		
The service concession Asset & liability In respect of Denneboom station Public Transport Interchange is indicated below		
2018/19		
As at 30 August 2019, the concessionaire had failed to submit to the city sufficient and appropriate supporting documentation thus		
no value was disclosed in the annual financial statements in relation to this matter.		
Based on new developments retrieved post the submission of the annual financial statements to the Auditor General, management decided to adjust the value disclosed for the asset under construction (AUC) - Denneboom service concession based on an estimation supported by the below stated assumptions-		
<ul style="list-style-type: none"> <li>The progress of construction is consistent throughout the months stipulated within the building phase</li> <li>The cost of construction is incurred evenly throughout the period.</li> <li>The total cost of construction incurred is aligned within the budgeted cost of construction as stipulated in the Service Concession Agreement documents.</li> <li>The construction delays noted equally extended the initial completion date of which yielded the calculated percentage of completion as at 30 June 2019<del>2019/20</del></li> </ul>		
During the current financial year under review- the service concessionaire submitted financial cost reports backdating from the commencement of the construction pertaining to the asset concerned . Based on the latter noted, the closing balance of the prior year was increased by R 423 079 921 through a restatement journal. The actual cost as at 30 June 2020 as per the cost report totaled R 62 996 291. As at 30 June 2020 the building was established to be at a under construction building status. Below are the updated cost both for the current and prior year respectively.		
<b>Denneboom service concession liability</b>		
Denneboom Station Public Transport Interchange	1 037 072 770	803 582 288
<b>Denneboom service concession asset</b>		
Land	1 854 770	1 854 770
Denneboom Station asset under	1 038 927 540	803 582 288
	<b>1 040 782 310</b>	<b>805 437 058</b>
<b>Total service concession liability</b>		
Current liability	249 166 666	242 016 667
Long-term liability	1 903 509 227	1 771 777 923
	<b>2 152 675 893</b>	<b>2 013 794 590</b>
<b>Total service concession liability</b>		
Tshwane House	1 177 923 220	1 147 216 010
Denneboom Station Public Transport Interchange	1 037 072 770	803 582 288
	<b>2 214 995 990</b>	<b>1 950 798 298</b>
<b>Total service concession asset included in Note 10)</b>		
Tshwane House	1 010 641 988	1 048 306 306
Denneboom Station Public Transport Interchange	1 038 927 540	805 437 058
	<b>2 049 569 528</b>	<b>1 853 743 364</b>

\* See Note 62

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

	2020	2019 Restated*
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### 24. Accumulated surplus and reserves

#### Ring-fenced internal funds and reserves within accumulated surplus - June 2020

	Insurance reserve	COVID reserve	Housing development fund	Accumulated surplus	Total
Opening balance	275 496	145 843 534	156 442 653	28 894 133 517	29 196 695 200
Net surplus/(deficit) for the year	-	-	-	(2 932 190 362)	(2 932 190 362)
Rounding	-	-	-	1	1
	<b>275 496</b>	<b>145 843 534</b>	<b>156 442 653</b>	<b>25 961 943 156</b>	<b>26 264 504 839</b>

#### Ring-fenced internal funds and reserves within accumulated surplus - June 2019

	Insurance reserve	COVID reserve	Housing development fund	Other	Total
Opening balance	262 093	82 684 851	156 442 653	24 531 665 162	24 771 054 759
Net surplus for the year (as previously reported)	-	-	-	2 865 994 426	2 865 994 426
Restatement of 2017/18 financial year	-	-	-	323 282 557	323 282 557
Rounding	-	-	-	(5)	(5)
Transfers to/(from) reserves	13 403	63 158 683	-	(63 172 086)	-
<b>Transfer to/(from) reserves</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(323 282 557)</b>	<b>(323 282 557)</b>
	<b>275 496</b>	<b>145 843 534</b>	<b>156 442 653</b>	<b>27 334 487 497</b>	<b>27 637 049 180</b>

### 25. Housing development fund (refer to Note 24)

Unappropriated surplus	225 449 115	225 449 115
Less: Loans extinguished by Government on 1 April 1998	(69 006 463)	(69 006 463)
Housing development fund (refer to Note 24)	<u>156 442 653</u>	<u>156 442 653</u>

### 26. Service charges

Other service charges	236 026 298	323 681 045
Sale of electricity	11 641 256 894	11 612 262 710
Sale of water	4 068 650 054	4 000 911 719
Solid waste	1 258 217 892	1 574 264 844
Sewerage and sanitation charges	1 156 823 026	1 098 138 076
	<b><u>18 360 974 164</u></b>	<b><u>18 609 258 394</u></b>

\* See Note 62

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

	2020	2019 Restated*
<b>27. Property rates</b>		
<b>Rates received</b>		
Property rates	7 457 434 560	7 116 482 763
<b>Valuations</b>		
Residential	349 822 709 685	345 090 400 165
Other	155 744 368 215	155 570 877 159
	<b>505 567 077 900</b>	<b>500 661 277 324</b>

The land value was changed to market value according to the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA) that came into effect on 1 July 2008. The increase in valuation is due to the fact that the full market value of a property is now the basis of levying rates and not the land value

No difference is made between land value and the value of improvements and only the market value appears on the valuation roll.

With the implementation of the MPRA, different categories of properties are levied at different tariffs with different rebates applicable

Property owners of 60 years and older and/or physically or mentally disabled, who can substantiate receipt of a social pension, and owners certified by the Medical Officer of Health as physically or mentally disabled, can qualify for a rebate, subject to certain conditions

## 28. Other income

Market fees	167 923 612	163 778 232
Land sales	8 333 711	34 787 088
VAT audit refund	54 591 998	13 853 746
Fire services	4 040 570	8 525 370
Miscellaneous	27 919 925	23 604 251
Bus rentals	4 303 114	5 378 882
Admission fees	14 140 188	19 578 411
Road Accident Fund Ambulance fees	2 388 143	3 469 770
Parking: vehicles	4 903 611	4 712 661
Registration certificates	1 931 463	2 211 075
Building fees	35 322 187	50 376 869
Income from grave services	11 104 798	11 586 020
Motor vehicles licences (refund from Province)	105 182 052	123 429 638
Training fees recovered	21 049 379	13 552 624
Newly identified assets	5 807 269	47 601 186
Insurance claims	130 862 798	47 964 328
A re Yeng revenue	14 606 343	19 904 714
Sundry fees	3 604 515	2 623 141
Airside income	4 200 005	4 835 284
Ambulance fees	689 534	2 668 030
Reminder fees	48 075 782	41 841 439
Clearance certificates	2 838 916	4 192 612
Approval fees: advertisements	14 417 522	36 426 733
Transfers from rehabilitation provisions	(4 127 140)	(7 138 295)
Jobbing	4 869 782	5 978 417
Application fees	9 553 029	7 564 474
Sales: Maps	1 339 962	1 766 954
Sales: Aeroplane fuel	61 960	3 595 755
Transport fees	36 470 553	38 372 273
	<b>736 405 581</b>	<b>737 041 682</b>

\* See Note 62

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

	2020	2019 Restated*
<b>29. Investment revenue</b>		
Interest revenue (interest received)		
Bank	11 379 043	13 544 464
Short-term investments	97 149 272	208 168 319
Long-term investments	23 194 158	23 602 865
Contingency Insurance	637 865	13 402
Interest: Redemption fund	103 223 974	146 619 235
	<b>235 584 312</b>	<b>391 948 285</b>
<b>30. Gains or losses on foreign exchange transactions</b>		
Loss on foreign exchange transactions	-	(73)
Gain on foreign exchange transaction	104 860	361 727
	<b>104 860</b>	<b>361 654</b>
Where a transaction is covered by a forward exchange contract, the rate specified in the contract is used. The municipality will incur a foreign currency liability other than that allowed by the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003).		
<b>31. Fair value adjustments</b>		
Game and livestock	541 464	(13 030 504)
Interest rate swaps	(162 040 774)	(184 364 756)
	<b>(161 499 310)</b>	<b>(197 395 260)</b>

\* See Note 62

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

	2020	2019 Restated*
<b>32. Government grants, subsidies, awards &amp; donations</b>		
<b>Operating grants</b>		
Equitable share	2 642 492 259	2 398 120 000
Emergency Medical subsidy	-	40 854 000
Fuel levy	1 451 890 000	1 449 121 000
Finance Management grant (FMG)	2 250 000	2 650 000
Public Transport Network Grant (PTNG) - operational	257 626 453	351 267 769
L G Seta discretionary grant	3 267 864	-
DBSA: Water conservation	8 246 817	8 444 703
Research and development grant - Tirelo Bosha	-	3 835 474
Primary Health Care (PHC)	52 096 000	49 837 000
HIV/AIDS subsidy	15 075 572	13 292 657
Community Libraries Plan	4 251 021	8 105 678
Expanded Public Works Programme (EPWP)	23 016 000	32 013 000
TRT Bus operating subsidy	18 357 637	23 256 888
Urban Settlement Development Grant (USDG) - operational	215 952 725	48 168 210
Integrated City Development	5 447 872	5 995 840
Human Settlement Development Grant (HSDG)	10 661 550	66 020 086
	<b>4 710 631 770</b>	<b>4 500 982 305</b>
<b>Capital grants</b>		
INEP	-	40 000 000
Public Transport Network Grant (PTNG)	348 373 206	458 185 679
Neighbourhood Development Partnership Grant (NDPG)	-	3 605 000
Recapitalisation of Community Libraries Grant	3 350 129	9 307 553
Urban Settlement Development Grant (USDG) - capital	924 711 968	1 442 193 832
Electricity Demand Side	10 853 942	256 546
Integrated City Development (ICDG)	35 969 992	37 838 374
Social infrastructure grant	12 359 867	22 180 163
LGSeta discretionary grant	851 036	264 951
Informal Settlements Upgrading Partnership	138 420 224	-
	<b>1 474 890 364</b>	<b>2 013 832 098</b>
	<b>6 185 522 134</b>	<b>6 514 814 403</b>
<b>Conditional and unconditional</b>		
Included above are the following categories of grants and subsidies recognised as revenue:		
Conditional grants received	2 085 380 101	2 667 573 403
Unconditional grants received	4 094 382 259	3 847 241 000
	<b>6 179 762 360</b>	<b>6 514 814 403</b>
<b>Equitable Share</b>		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
All registered indigents receive a monthly subsidy of R560.00 (2019 = R510.69), which is funded from the grant.		
Current year receipts	2 642 492 259	2 398 120 000
Conditions met - transferred to revenue	(2 642 492 259)	(2 398 120 000)
	<b>-</b>	<b>-</b>
<b>Fuel levy</b>		
Current-year receipts	1 451 890 000	1 449 121 000
Conditions met - transferred to revenue	(1 451 890 000)	(1 449 121 000)
	<b>-</b>	<b>-</b>

The purpose of the fuel levy grant is to provide for basic services and infrastructure development in under-served communities, specifically to transport infrastructure given the link between fuel sales and road usage.

\* See Note 62



# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

	2020	2019 Restated*
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### 32. Government grants, subsidies, awards & donations (continued)

#### Primary Health Care Subsidy

Current-year receipts	52 096 000	49 837 000
Conditions met - transferred to revenue	(52 096 000)	(49 837 000)
	-	-

The Municipality renders health services on behalf of the provincial government. The purpose of this subsidy is to render comprehensive primary health services according to service level agreements. This subsidy is used exclusively to fund clinic services. The conditions of the subsidy are always met.

#### Emergency Medical Subsidy

Current-year receipts	-	40 854 000
Conditions met - transferred to revenue	-	(40 854 000)
	-	-

The grant was discontinued in 2019/20

The municipality renders ambulance services on behalf of the provincial government and is reimbursed. The purpose of this subsidy is to ensure rapid and effective emergency care. This grant has been used exclusively to fund the rendering of ambulance services (included in the Emergency Medical Services vote in Appendix D). The conditions of the subsidy have been met.

#### Electricity for All (INEP)

Current-year receipts	-	40 000 000
Conditions met - transferred to revenue	-	(40 000 000)
	-	-

The grants was discontinued in the 2019/20 financial year, incorporated into the USDG.

The purpose of the grant is to implement the Integrated National Electrification Program (INEP) by providing capital subsidies to municipalities to address the electrification backlog of occupied residential dwellings, the installation of bulk infrastructure and rehabilitation and refurbishment of electricity infrastructure in order to improve quality of supply.

#### Finance Management Grant (FMG)

Current-year receipts	2 250 000	2 650 000
Conditions met - transferred to revenue	(2 250 000)	(2 650 000)
	-	-

The purpose of this grant was to promote support reforms in financial management by building capacity in municipalities to implement the Local Government: Municipal Finance Management Act (MFMA).

#### Public Transport Network Operations (PTNG) (DoRA)

Current-year receipts	256 112 850	-
Conditions met - transferred to revenue	(257 626 453)	-
Transfers	16 424 886	-
	<b>14 911 283</b>	<b>-</b>

A request for the roll over at the end of 2019/20 was submitted to National Treasury

The purpose of this grant is to provide for accelerated planning, construction and improvement of public and non-motorised transport networks.

#### Human Settlement Development Grant (HSDG)

\* See Note 62

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

	2020	2019 Restated*
<b>32. Government grants, subsidies, awards &amp; donations (continued)</b>		
Balance unspent at beginning of year	210 369 335	253 589 420
Current-year receipts	-	22 800 000
Conditions met - transferred to revenue	(10 661 550)	(66 020 085)
Transfers	(31 569 334)	-
	<b>168 138 451</b>	<b>210 369 335</b>

Conditions still to be met - remain liabilities (see note 18)

A request was submitted to Provincial Treasury for the roll forward of the balance of 2019/20.

To provide funding for the creation of sustainable and integrated human settlements.

### Urban Settlement Development Grant (USDG)

Balance unspent at beginning of year	50 891 019	97 146 820
Current-year receipts	1 329 813 000	1 499 552 000
Conditions met - transferred to revenue	(1 140 664 693)	(1 490 362 042)
Return to National Treasury	(50 891 019)	(55 445 759)
	<b>189 148 307</b>	<b>50 891 019</b>

A request for the roll over was submitted to National Treasury.

To supplement the capital revenues of metropolitan municipalities in order to implement infrastructure projects that promote equitable, integrated, productive, inclusive and sustainable urban development

### Public Transport Network Grant (PTNG)

Balance unspent at beginning of year	-	61 313 225
Current-year receipts	402 463 150	808 194 000
Conditions met - transferred to revenue	(348 373 206)	(809 453 447)
Transfer (to PTNG operations)	(16 424 886)	-
Returned to National Treasury	-	(60 053 778)
	<b>37 665 058</b>	<b>-</b>

Conditions still to be met - remain liabilities (see note 18)

A request for the roll over 2019/20 was submitted to National Treasury.

To provide funding for accelerated construction and improvement of public and non-motorized transport infrastructure that form part of a municipal integrated public transport network (IPTN)

\* See Note 62

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

	2020	2019 Restated*
<b>32. Government grants, subsidies, awards &amp; donations (continued)</b>		
<b>HIV and AIDS (Provincial Health Department)</b>		
Balance unspent at beginning of year	696 579	-
Current-year receipts	14 379 000	13 989 235
Conditions met - transferred to revenue	(15 075 579)	(13 292 656)
	<u>-</u>	<u>696 579</u>
The purpose of this grant is to sustain and extend coverage of the ward based door to door education program with referrals to local services; to build communities and support and utilise local services appropriately and to support wards structures to address AIDS in the local community.		
<b>Informal Settlements Upgrading Partnership (DoRA)</b>		
Current-year receipts	181 200 000	-
Conditions met - transferred to revenue	(138 420 224)	-
	<u>42 779 776</u>	<u>-</u>
A request for roll over of the 2019/20 balance was submitted to National Treasury.		
Government approved a comprehensive housing strategy to speed up housing delivery and develop sustainable human settlements. The Gauteng Department of Housing approve housing subsidies and projects and provide support to municipalities for housing development. Municipalities are responsible for the provision and ongoing operation of associated bulk and distribution infrastructure and services, such as water, sanitation, roads and in many cases electricity.		
<b>Gautrans</b>		
Balance unspent at beginning of year	11 961 294	11 961 294
	<u>11 961 294</u>	<u>11 961 294</u>
Conditions still to be met - remain liabilities (see note 18)		
The purpose of this grant is to reconstruct and update the Garsfontein road (K50) to dual carriage way between Loristo and Anton van Wouw streets.		
<b>Neighbourhood Development Partnership Grant (NDPG)</b>		
Balance unspent at beginning of year	-	3 107 814
Current-year receipts	1 268 000	3 605 000
Conditions met - transferred to revenue	-	(3 605 000)
Returned to National Treasury	-	(3 107 814)
	<u>1 268 000</u>	<u>-</u>
No project were submitted for approval to National Treasury . The purpose of this grant is to support neighbourhood development projects that provide community infrastructure and create the platform for other public and private sector development towards improving the quality of life of residents in targeted under served neighbourhoods (townships generally).		
<b>Research and Technology Grant</b>		
Balance unspent at beginning of year	-	74 688
Returned to grantor	-	(74 688)
	<u>-</u>	<u>-</u>
The purpose of this grant is to transfer funds to the municipality for the purpose of maintenance and operationalising mechanization assets namely tractors and implements (including trailers) The project life was 12 months.		

\* See Note 62

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

	2020	2019 Restated*
<b>32. Government grants, subsidies, awards &amp; donations (continued)</b>		
<b>Community Library Services</b>		
Balance unspent at beginning of year	2 837 315	5 557 910
Current-year receipts	18 500 000	15 260 000
Conditions met - transferred to revenue	(7 601 150)	(17 413 231)
Returned to National Treasury	-	(567 364)
	<b>13 736 165</b>	<b>2 837 315</b>

Conditions still to be met - remain liabilities (see note 18).

A request for the roll over of the balance of 2019/20 was submitted to Provincial Treasury.

The request for the roll over of the balance of 2017/18 was approved by Provincial Treasury but an amount of R567 364 was not approved and repaid during 2018/19.

The purpose of the grant is to have transformed urban and rural community library infrastructure, facilities and services (primarily targeting previously disadvantaged communities) through a re-capitalised program at provincial and local government level and to provide the best possible sport and recreation facilities and service to all people in Tshwane to enhance their quality of life.

### Research and Development Grant (Tirelo Bosha)

Balance unspent at beginning of year	384 498	-
Current-year receipts	-	4 219 972
Conditions met - transferred to revenue	-	(3 835 474)
	<b>384 498</b>	<b>384 498</b>

Conditions still to be met - remain liabilities (see note 18).

The grant is from the Department of Public Service and Administration (DPSA) and is intended to support programmes in the research, development and piloting of new ways of delivering front-line public services.

### Expanded Public Works Programme (EPWP)

Current-year receipts	23 016 000	32 013 000
Conditions met - transferred to revenue	(23 016 000)	(32 013 000)
	<b>-</b>	<b>-</b>

The purpose of this grant was to encourage local authorities and provincial departments to increase job creation efforts in infrastructure, environment and culture programs through the use of labour-intensive methods and the expansion of job creation in line with the Expanded Public Works Program guidelines.

### Municipal disaster recovery grant

Balance unspent at beginning of year	-	1 447 864
Returned to grantor	-	(1 447 864)
	<b>-</b>	<b>-</b>

The request for roll over of the 2017/18 balance was not approved by National Treasury and it was repaid during 2018/19.

During the month of November 2013, severe damage was caused to infrastructure by hail in Gauteng Province. To this effect, a provincial state of disaster was declared in Gauteng, City of Tshwane in December 2013. The infrastructure and services damage reports and preliminary costing of damages were submitted by the Department of Human Settlements and the City of Tshwane Metropolitan Municipality for infrastructure damage through the Gauteng Provincial Disaster Management Centre in May 2014.

\* See Note 62

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

	2020	2019 Restated*
<b>32. Government grants, subsidies, awards &amp; donations (continued)</b>		
<b>DBSA grant</b>		
Current-year receipts	2 487 043	-
Conditions met - transferred to revenue	(2 487 043)	-
	<u>-</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 18).		
This grant was received from the Development Bank of South Africa to conduct a feasibility study for the retrofitting of seven municipal owned buildings occupied and managed buildings/facilities for the City of Tshwane.		
<b>Social Infrastructure grant</b>		
Balance unspent at beginning of year	3 344 403	708 601
Current-year receipts	13 532 620	24 815 965
Conditions met - transferred to revenue	(12 359 867)	(22 180 163)
	<u>4 517 156</u>	<u>3 344 403</u>
A request for roll over of the 2019/20 balance was submitted to the Provincial Treasury.		
The purpose of this grant is to plan, design and construct in Hammanskraal, Winterveldt and Mabopane social development centres.		
<b>LG SETA Discretionary grant</b>		
Balance unspent at beginning of year	4 223 085	3 358 086
Current-year receipts	-	1 129 950
Conditions met - transferred to revenue	(4 118 900)	(264 951)
	<u>104 185</u>	<u>4 223 085</u>
The balance is ring-fenced and will be rolled over to the 2020/21 financial year..		
This money is an award for skills development. The purpose is to strengthen the municipality's capacity in relation to skills development for the purpose of training the Skills Development Facilitator or employees within the Human Resources/Skills Development Department or to enhance the capacity of the Training Committee.		
<b>TRT Bus Operating Subsidy</b>		
Balance unspent at beginning of year	1 271 943	-
Current-year receipts	17 085 693	40 025 218
Conditions met - transferred to revenue	(18 357 636)	(23 256 688)
Prior year correction - receipt	-	(15 496 587)
	<u>-</u>	<u>1 271 943</u>
This funds is a monthly subsidy from Gauteng Department of Roads and Transport as a subsidy for the bus services rendered by Tshwane Rapid Transit in Mamelodi.		
<b>Electricity Demand Side (EEDSM)</b>		
Balance unspent at beginning of year	9 743 454	-
Current-year receipts	11 000 000	10 000 000
Conditions met - transferred to revenue	(10 853 942)	(256 546)
Returned to National Treasury	(9 743 454)	-
	<u>146 058</u>	<u>9 743 454</u>
Conditions still to be met - remain liabilities (see note 18).		
A request for the roll over of the balance of 2019/20 was submitted to National Treasury.		
The purpose of this grant is to provide subsidies to municipalities to implement Electricity Demand Side Management (EDSM) in municipal infrastructure in order to reduce electricity consumption and improve energy efficiency.		

\* See Note 62

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

	2020	2019 Restated*
<b>32. Government grants, subsidies, awards &amp; donations (continued)</b>		
<b>Integrated City Development (ICDG)</b>		
Balance unspent at beginning of year	1 178 786	32 664 650
Current-year receipts	43 265 000	45 013 000
Conditions met - transferred to revenue	(41 417 864)	(43 834 214)
Returned to National Treasury	(1 178 786)	(32 664 650)
	<b>1 847 136</b>	<b>1 178 786</b>
Conditions still to be met - remain liabilities (see note 18).		
A request for the roll over of the 2019/20 balance was submitted to National Treasury.		
The purpose of this grant from National Treasury is to provide a financial incentive for metropolitan municipalities to integrate and focus their use of all available infrastructure investment and regulatory instruments to achieve a more compact urban spatial form and the development of more inclusive, livable, productive and sustainable urban built environments in metropolitan municipalities		
<b>Changes in level of government grants</b>		
Based on the allocations set out in the Division of Revenue Act no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.		
<b>33. Fines, Penalties and Forfeits</b>		
Towing fees	7 165 989	12 716 544
Library fines	362 495	521 404
Pound Fees Fines	32 769	159 389
AARTO fines	187 262 477	300 631 650
Market fines	83 476	569 670
Management Health Service Fines	184 350	90 000
	<b>195 091 556</b>	<b>314 688 657</b>

\* See Note 62

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

	2020	2019 Restated*
<b>34. Employee related costs</b>		
Salaries and wages	8 036 155 517	5 794 258 143
Medical aid contributions	627 579 091	578 548 566
UIF	38 312 823	37 136 612
Leave pay provision charge	367 574 913	298 696 602
Pension fund contributions	1 189 378 199	1 106 117 337
Defined contribution plans	28 626 399	4 424 841
Travel, motor car, subsistence and other allowances	303 893 271	303 965 197
Overtime payments	465 228 421	456 969 712
Long-service awards	3 611 756	4 105 999
Incentive bonuses	499 220	366 042
Other allowances	499 637 512	415 448 657
Housing benefits and allowances	52 368 569	48 642 815
Compensation commissioner (COIDA)	2 278 948	2 103 430
	<b>11 615 144 639</b>	<b>9 050 783 953</b>

### Remuneration of City Manager (M Mosola)

Annual Remuneration	541 932	3 251 589
Cell phone allowance	4 000	24 000
Other allowances \$	8 331 557	24 406
	<b>8 877 489</b>	<b>3 299 995</b>

The City Manager is the head of the administration and the accounting officer as defined by Municipal Systems Amendment Act . Dr Moeketsi Mosola resigned from this post on 30 August 2019 .

### Acting City managers for 2019/20 financial year

	Remuneration	Acting allowance	Other Allowances
Phillip Mooketsi Ntsimane	-	52 162	-
Makgorometje Augustine Makgata	-	44 205	-
Mavela Alford Velamuva Dlamini	710 300	-	24 870
	<b>710 300</b>	<b>96 367</b>	<b>24 870</b>

### Remuneration Executive Mayor (Stevens Mokgalapa)

Annual Remuneration	955 817	514 261
Cell phone allowance	31 299	16 213
Travel allowance	-	1 911
Other	72 917	16 643
	<b>1 060 034</b>	<b>549 028</b>

Stevens Mokgalapa resigned as executive mayor on February 2020

### Remuneration: Speaker (Rachel K Mathebe)

Annual Remuneration	1 099 080	1 055 200
Cell phone allowance	40 800	42 280
Other allowance	38 508	35 288
	<b>1 178 388</b>	<b>1 132 768</b>

### Remuneration: Chief Whip (Christiaan M van den Heever)

\* See Note 62

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

	2020	2019 Restated*
<b>34. Employee related costs (continued)</b>		
Annual Remuneration	1 081 158	1 027 223
Cell phone allowance	25 368	25 368
	<b>1 106 526</b>	<b>1 052 591</b>

### Remuneration: Members of the Mayoral Committee

Annual remuneration	7 718 892	9 643 333
Travel allowance	172 014	192 755
Cell phone allowance	239 742	254 029
Other allowance	507 559	289 348
	<b>8 638 207</b>	<b>10 379 465</b>

Refer to General Information for the list of the individual members of the mayoral committee.

### Members of the Mayoral Committee (individual)

Anniruth Kissoonduth	915 998	1 039 800
Isak Petrus Du Plooy	922 569	1 037 379
Mare-Lise Fourie	853 112	1 039 553
Sheila Lynn Senkubuge (Resigned on the 30 Nov 2019 )	438 580	1 037 379
Samuel Sello Maimane (Appointed on the 3 July 2019)	927 801	-
Karen Meyer	912 032	364 984
Richard Baleseng Moheta	916 360	374 888
Abel Matshidiso Tau	920 575	459 514
Isak Jacobus Pietersen	919 764	382 046
Daniel Gabriel Wannenburg	911 417	-
Cilliers Brink (resigned 4 June 2019)	-	919 154
Darryl Moss (moved from MMC to normal councillor 21 February 2019)	-	671 304
Nontsikelelo Lucia Mokhotho (moved from MMC to normal councillor 21 February 2019)	-	673 477
Michael Mkhari (moved from MMC to normal councillor 21 February 2019)	-	671 304
Randall Mervyn Williams (moved from MMC to normal councillor 21 February 2019)	-	671 304
Thomas Mandla Nkomo	-	1 037 379
	<b>8 638 208</b>	<b>10 379 465</b>

On the 6th of March 2020, the Gauteng Provincial Executive Council resolved to intervene in terms of section 139(1)(c) of the constitution of the Republic of South Africa in the Tshwane Metropolitan Municipality by dissolving the council.

\* See Note 62



# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

	2020	2019 Restated*
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### 35. Remuneration of councillors

Councillors' allowances

Councillors' allowances	127 244 308	126 684 958
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A breakdown of the councillor remuneration per level of councilor and type of remuneration is indicated below  
Remuneration of the Executive Mayor, Speaker and Members of the Mayoral Committee

Councillor's remuneration -June 2020	Basic salary	Travel allowance	Cell phone allowance	Other allowances	Total
Mayor : Stevens Mokgalapa	955 817	-	31 299	72 917	1 060 033
Speaker : Rachel Katlego Mathebe	1 099 080	-	40 800	38 508	1 178 388
Chief Whip : Christiaan Mauritz Van Den Heever	1 081 158	-	25 368	-	1 106 526
Members of mayoral committee	8 402 756	324 915	277 794	550 051	9 555 516
Other councillors	79 361 879	23 711 574	5 063 752	6 206 640	114 343 845
	<b>90 900 690</b>	<b>24 036 489</b>	<b>5 439 013</b>	<b>6 868 116</b>	<b>127 244 308</b>

Councilor's remuneration - June 2019	Basic salary	Travel allowance	Cell phone allowance	Other allowances	Total
Mayor : Stevens Mokgalapa	1 297 599	1 911	41 203	64 444	1 405 157
Speaker :Rachel Kedibone Mathebe	1 055 200	-	42 280	35 288	1 132 768
Chief Whip : Christiaan Mauritz Van Den Heever	1 027 223	-	25 368	-	1 052 591
Members of mayoral committee	9 643 333	192 755	254 029	289 348	10 379 465
Other councillors	77 506 292	23 534 515	5 037 925	6 636 245	112 714 977
	<b>90 529 647</b>	<b>23 729 181</b>	<b>5 400 805</b>	<b>7 025 325</b>	<b>126 684 958</b>

### In-kind benefits

The Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Municipality.

According to the organisational structure of the municipality the sub-section Executive Mayor Protection has 7 staff members of which 5 are VIP protection officers. The mayoral committee members and the City Manager have 2 VIP protection officers each.

The Executive Mayor as well as members of the mayoral committee has use of a Council owned vehicle for official duties.

The allowances and benefits of Councilors, and payments made to Councilors for loss of office, if any, as disclosed above are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

'In-kind benefits were withdrawn upon termination of services

### Remuneration of the Executive Mayor, Speaker and Members of the Mayoral Committee:

For the disclosure of the remuneration of the Executive Mayor, Speaker and Members of the Mayoral Committee, refer to note 34.

### 36. Remuneration of Top Management

\* See Note 62

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

2020

2019  
Restated\*

### 36. Remuneration of Top Management (continued)

The organisational structure was reviewed and a new macro structure was approved in terms of a council resolution dated 24 November 2016. The new macro structure was implemented on 1 February 2017.

In terms of a council resolution dated 23 February 2017 the proposed Section 56 positions were determined to be as follows:

- \* Governance and Support Officer
- \* Chief Financial Officer
- \* Chief of Police
- \* Head: Emergency Management Services
- \* Chief Operations Officer
- \* Chief Audit Executive
- \* Head: Office of the Executive Mayor
- \* Head: Group Communications and Marketing
- \* Group Head: City Strategies and Organisational Performance.

In terms council resolution dated 30 August 2018 the group head in the office of the city manager is a considered to be direct report to the city manager.

\*Group Head: Strategy & Management Support

The other positions will from 1 February 2017 report directly either to the Governance and Support Officer (GSO) or the Chief Operations Officer (COO).

\* See Note 62

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

### 36. Remuneration of Top Management (continued)

#### Reporting directly to City Manager

July 2019 to June 2020

Name	Designation	Remuneration	Cell phone allowance	*Other Allowances	Acting	Total
Banda, Umar	Chief Financial Officer	2 601 272	21 600	37 920	-	2 660 792
Tredoux, Lorette	Governance and Support Officer	2 601 272	21 600	27 909	-	2 650 781
Murphy, James P	Chief Operations Officer	2 601 272	21 600	28 779	-	2 651 651
Ntsimane, Phillip M	Chief Audit Executive	2 389 147	21 600	25 788	52 162	2 488 697
Nkomo, Johannah M	Chief of Police	2 389 147	21 600	25 788	-	2 436 535
Govendor, Previn D	Chief of Emergency Services	1 990 956	21 600	21 806	-	2 034 362
Hazel Nasiphi Moya	Chief of Staff	1 190 292	19 800	533 777	-	1 743 869
Hilgard Matthews	Group Head: Group Communication and Marketing	1 990 956	21 600	21 806	-	2 034 362
Nosipho Hlatshwayo	Group Head: City Strategy and Organisational Performance	1 990 956	21 600	37 235	-	2 049 791
Msizi Reginald Myeza	Group Head: Strategy & Management Support	2 150 000	21 600	33 007	-	2 204 607
		<b>21 895 270</b>	<b>214 200</b>	<b>793 815</b>	<b>52 162</b>	<b>22 955 447</b>

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

### 36. Remuneration of Top Management (continued)

2018/19: July 2018 to June 2019

Name	Designation	Remuneration	Cell phone allowance	Other	Total
Banda, Umar	Chief Financial Officer	2 601 272	21 600	28 734	2 651 606
Tredoux, Lorette	Governance and Support Officer	2 601 272	21 600	27 902	2 650 774
Murphy, James P	Chief Operations Officer	2 601 272	21 600	27 902	2 650 774
Ntsimane, Phillip M	Chief Audit Executive	2 389 147	21 600	25 781	2 436 528
Nkomo Johannah M	Chief of Police	2 389 147	21 600	43 700	2 454 447
Govendor, Previn D	Chief of Emergency Services	1 990 956	21 600	66 929	2 079 485
Matthews, Hilgard	Group Head: Communication, Marketing and Events	1 990 956	21 600	23 463	2 036 019
Hlatshwayo, Nosipho P	Group Head: City Strategy and Organisational Performance	1 990 956	21 600	24 711	2 037 267
		<b>18 554 978</b>	<b>172 800</b>	<b>269 122</b>	<b>18 996 900</b>

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

### 36. Remuneration of Top Management (continued)

#### Group Heads

July 2019 to June 2020

Name	Designation	Remuneration	Travel allowance	Cell phone allowance	Other	Other allowance	Total
Babane, Tiyyiselani J	Group Head: Office of the Speaker	959 034	-	21 600	422 501	-	1 403 135
Shingange, Gerald M	Group Head: Group Human Capital Management	1 438 550	130 693	18 000	504 354	-	2 091 597
Khumalo, Musawakhe H O	Group Head: Shared Services	1 438 550	130 693	18 000	543 387	-	2 130 630
Kock, Margaretha J	Group Head: Group Legal and Secretarial Services	1 438 550	-	18 000	632 803	-	2 089 353
Makgata, Makgorometje A	Group Head: Economic Development and Spatial Planning	1 438 550	130 693	18 000	510 472	44 205	2 141 920
Morgan, Verusha	Group Head: Group Property	1 438 550	-	18 000	634 108	-	2 090 658
Thandiwe Shereen Radebe	Group Head: Customer Relations Management	1 085 791	130 693	19 500	356 478	64 818	1 657 280
Nkoko, Koena J	Group Head: Health	1 438 550	130 693	18 000	505 927	-	2 093 170
Notoane, Stephens R	Group Head: Utility Services	1 438 550	130 693	18 000	505 414	-	2 092 657
Letlonkane, Pheko I	Group Head: Roads and Transport	1 438 550	130 693	18 000	503 810	-	2 091 053
Kolisa, Mthobeli S		606 662	53 982	7 435	213 792	-	881 871
Mekhoe, Sebatatso S	Group Head: Community and Social Development Services	1 438 550	130 693	18 000	536 904	-	2 124 147
Memela, Nontobeko	Group Head: Human Settlement	1 436 418	130 693	18 000	501 176	-	2 086 287
Phanyane, Namadzavho C	Group Head: Regional Operations and Coordination	1 438 550	130 693	18 000	503 325	-	2 090 568
		<b>18 473 405</b>	<b>1 360 912</b>	<b>246 535</b>	<b>109 023</b>	<b>109 023</b>	<b>27 064 326</b>

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

### 36. Remuneration of Top Management (continued)

2018/19: July 2018 to June 2019 (reporting to GSO or COO)

Name	Designation	Remuneration	Travel allowance	Cell phone allowance	Other allowance	Total
Babane, Tiyyiselani	Group Head: Office of the Speaker	944 861	-	21 600	433 958	1 400 419
Moya, Hazel	Group Head: Office of the Chief Whip	944 861	60 000	21 600	356 279	1 382 740
Shingange, Gerald M	Group Head: Group Human Capital Management	1 417 291	130 693	18 000	492 780	2 058 764
Khumalo, Musawakhe HO	Group Head: Shared Services	1 417 291	130 693	18 000	511 947	2 077 931
Kock, Margaretha J	Group Head: Group Legal and Secretarial Services	1 417 291	-	18 000	630 368	2 065 659
Makgata, Makgorometje A	Group Head: Economic Development and Spatial Planning	1 417 291	130 693	18 000	515 775	2 081 759
Morgan, Verusha	Group Head: Group Property	1 417 291	-	18 000	624 305	2 059 596
Ntsikeni, Zukiswa(resigned 31 March 2019)	Group Head: Customer Relations Management	1 062 968	98 020	13 500	369 585	1 544 073
Nkoko, Koena J	Group Head: Health	1 417 291	130 693	18 000	496 260	2 062 244
Notoane, Stephens R	Group Head: Utility Services	1 417 291	130 693	18 000	503 936	2 069 920
Letlonkane, Pheko I	Group Head: Roads and Transport	1 417 291	130 693	18 000	492 780	2 058 764
Kolisa, Mthobeli S	Group Head: Environment and Agriculture Management	1 417 291	130 693	18 000	492 780	2 058 764
Mekhoe, Sebatatso S	Group Head: Community and Social Development Services	1 417 291	130 693	18 000	492 780	2 058 764
Memela, Nontobeko	Group Head: Human Settlement	1 415 191	130 693	18 000	491 859	2 055 743
Phanyane, Namadzavho C	Group Head: Regional Operations and Coordination	1 374 934	130 693	18 000	474 203	1 997 830
		<b>19 915 725</b>	<b>1 464 950</b>	<b>272 700</b>	<b>7 379 595</b>	<b>29 032 970</b>

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

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2020

2019  
Restated\*

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### 36. Remuneration of Top Management (continued)

\* See Note 62

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

2020

2019  
Restated\*

### 36. Remuneration of Top Management (continued)

The following also acted in the position of Top Management during the 2019/2020 financial year

#### Reporting directly to City Manager

Name	Designation	Acting Allowances
Matseane Mmakagiso Poo	Chief Audit Executive	74 273
Moshema Petrus Mosia	Chief Emergency Services	47 230
		<b>121 503</b>

\* See Note 62



# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

	2020	2019 Restated*
<b>36. Remuneration of Top Management (continued)</b>		
<b>Group Heads</b>		
<b>Name</b>	<b>Designation</b>	<b>Acting Allowances</b>
Sello Tlou Levy Chipu	Group Head: Housing and Human Settlement	25 139
Pule Martin Mmutlana	Group Head: Group Legal and Secretariat Services	10 474
Abel Tumishi Malaka	Group Head: Environmental and Agriculture Management	102 474
Tlou Phineas Gadner Tefu	Group Head: Office of the Chief Whip	85 291
Bongani Andrew Mntambo	Group Head: Roads and Transport	43 098
Deborah Mmankale Motseo	Group Head: Group Legal and Secretariat Services	30 947
Morapedi Victor Letshwiti	Group Head: Group Human Capital Management	85 291
Thandiwe Shereen Radebe	Group Head: Customer Relations Management	64 818
Benjamin Manasoe	Group Head: Economic Development and Spatial Planning	6 856
		<b>454 388</b>

The following also acted in the position of Top Management during the 2018/2019 financial year

<b>Name</b>	<b>Designation</b>	<b>Acting Allowances</b>
Pule Martin Mmutlana	Group Head: Group Legal and Secretariat Services	83 148
Msizi Reginald Myeza	Group Head: Strategy & Management Support	143 880
Tlou Phineas Gadner Tefu	Group Head: Office of the Chief Whip	43 259
Bongani Andrew Mntambo	Group Head: Roads and Transport	43 193
Thandiwe Shereen Radebe	Group Head: Customer Relations Management	44 945
Phuti Jellico Moloto		10 113
Morapedi Victor Letshwiti	Group Head: Group Human Capital Management	14 045
		<b>382 583</b>

### Remuneration of Administration Body

The following Administrators were appointed for 2019/20 Financial year

<b>Name</b>	<b>Designation</b>	<b>Remuneration</b>	<b>Other Allowances</b>	<b>Total</b>
Mavela Alford Dlamini ( acting City Manager)	Administrator	710 300	24 870	735 170
Kebitsamang Mpho Nawa	Lead-Administrator	-	263 597	263 597
Thulisile Njapa Mashanda	Administrator	-	263 597	263 597
Rianda Kruger	Administrator	-	263 597	263 597
Lesedi Mere	Administrator (CS&ES)	-	263 597	263 597
Mmaseabata Abigail Mutlaneng	Administrator (H&HS)	-	263 597	263 597
Gilberto Pereira Martins	Administrator (SRAC)	-	263 597	263 597

\* See Note 62

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

			2020	2019 Restated*
<b>36. Remuneration of Top Management (continued)</b>				
Lebogang Vashette Mahaye	Adminstrator (H&SD))	-	263 597	263 597
Lefadi Lucas Makibinyane	Adminstrator (FI)	-	263 597	263 597
Shiva Kesaobaka Makotoko	Administrator (SI)	-	263 597	263 597
			<b>710 300</b>	<b>2 397 243</b>
				<b>3 107 543</b>

Other Allowances consist of Subsistence and travelling paid in favour of employee, a non-pensionable allowance as well as Pension, Medical Aid Fund, Group Life contributions by the employer and/or arbitration/settlement/administrator payments.

\* See Note 62

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

	2020	2019 Restated*
<b>37. Depreciation and amortisation</b>		
Depreciation: Investment property (note 11)	4 152 185	4 742 169
Amortisation: Intangible assets (note 12)	56 313 809	85 376 038
Depreciation: Property, plant & equipment (note 10)	1 723 102 575	1 727 798 858
Depreciation: Leased assets (note 10)	282 470 191	247 126 080
Depreciation: Rehabilitation assets (note 10)	10 480 580	17 475 449
	<b>2 076 519 340</b>	<b>2 082 518 594</b>
<b>38. Impairment of assets</b>		
<b>Impairments</b>		
Property, plant and equipment (refer to note 10)	52 183 740	51 549 537
Describe the events and circumstances that led to the recognition or reversal of the impairment loss. The recoverable amount or [recoverable service amount] of the asset was based on its fair value less costs to sell or [its value in use.]		
Intangible assets (refer to note 14)	7 763 656	-
Describe the events and circumstances that led to the recognition or reversal of the impairment loss. The recoverable amount or [recoverable service amount] of the asset was based on its fair value less costs to sell or [its value in use.]		
Heritage assets (refer to note 13)	-	161 141 660
Describe the events and circumstances that led to the recognition or reversal of the impairment loss. The recoverable amount or [recoverable service amount] of the asset was based on its fair value less costs to sell or [its value in use.]		
	<b>59 947 396</b>	<b>212 691 197</b>
[Disclose the following information for the aggregate impairment losses and the aggregate reversals of impairment losses recognised during the period for which no information has otherwise been disclosed:]		
<b>39. Finance costs</b>		
Long-term liabilities (external loans)	1 083 835 412	1 022 741 341
Interest rate swaps	64 298 819	47 747 346
Trade and other payables (interest on late payments)	7 106 067	9 655 479
Finance leases	71 502 245	88 106 998
Other finance costs (bank charges, transit banking, etc)	-	11 387
Tshwane House finance cost	234 117 829	245 706 604
Amortisation: provisions	50 705 274	79 727 747
	<b>1 511 565 646</b>	<b>1 493 696 902</b>
<b>40. Investment in Joint Venture</b>		
Tshwane Automotive Hub Special Economic Zone		
During the 2019/20 Financial Year- 06 June 2020, City of Tshwane represented by Tshwane Economic Development Agency entered into a tripartite agreement with Department of Trade, Industry and Competition (DTIC) and Gauteng Department of Economic Development (GDED) for a duration of five years in order to establish a Special economic Zone in a form of Tshwane Automotive Hub Special Economic Zone (TAHSEZ) to industrialize the capital city and mitigate unemployment rates provincially and surrounding Tshwane.		
A Special Purpose Vehicle was established namely TAHSEZ, City of Tshwane holds 33.3% shareholding in the SPV, the DTIC 33.3% and GDED 33.4%. City of Tshwane represented by TEDA is the land owners.		
This agreement is material in nature hence the disclosure, however there was no impact in the 2019- 2020		

\* See Note 62

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

	2020	2019 Restated*
<b>41. Investment in Municipal Entity</b>		
<b>percentage holding</b>	<b>2020</b>	<b>2019</b>
Tshwane Economic Development Agency (Pty) Ltd	100%	100%
<b>Tshwane Economic Development Agency (Pty) Ltd</b>	<b>2020</b>	<b>2019</b>
Gross Investment	1000	1000
Impairment	0	0
Tshwane Economic Development Agency	1000	1000
<b>42. Debt impairment</b>		
Contributions to impairment allowance (refer to note 4,5 and 6)	3 095 462 994	1 803 186 397
<b>Contribution to impairment allowance - per service</b>		
Rates	922 338 091	538 292 526
Electricity	1 276 194 659	664 119 109
Water	491 239 808	287 548 109
Sanitation	129 038 177	74 100 860
Solid waste	158 744 214	104 019 113
AARTO	100 925 393	91 850 297
Sundry: other	17 551 529	39 551 074
Long-term receivables	(568 877)	3 705 309
	<b>3 095 462 994</b>	<b>1 803 186 397</b>

Please note the amounts reflected above are the net balance in the expenditure accounts.

For the 2018/19 financial year the total amount written off was R2 552 084 479 for consumer debtors and R6 045 714 for other debtors which was written off against the allowance.

For amounts written off refer to note numbers 4, 5 and 6.

\* See Note 62

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

	2020	2019 Restated*
<b>43. Bulk purchases</b>		
Electricity - Eskom	9 061 385 990	7 970 960 027
Water	2 899 235 481	2 806 415 278
	<b>11 960 621 471</b>	<b>10 777 375 305</b>
<b>44. Contracted services</b>		
<b>Consultants and Professional Services</b>		
Business and Advisory	421 964 225	279 651 274
Housing services	12 027 497	66 020 086
Information Technology Services	147 045 195	130 690 612
Labour services	535 037 372	435 846 082
Legal costs	87 086 459	77 876 258
Rudimentary services	212 073 839	182 277 011
Traffic control	14 899 824	20 965 159
Training	2 744 007	2 729 219
Other	856 428 072	834 310 556
<b>Contractors</b>		
CCTV	18 794 683	15 765 991
Cleaning services	12 560 402	8 720 220
Household refuse removal	657 156 648	549 234 183
Water network services	199 509 251	181 352 272
Building	52 047 125	44 406 441
Electrical	257 080 491	240 403 229
Transportation	132 926 740	157 075 120
Sewerage Services	76 380 703	63 336 896
	<b>3 695 762 533</b>	<b>3 290 660 609</b>
<b>45. Transfers and subsidies</b>		
<b>Grants paid to ME's</b>		
Transfers to TEDA and Housing Company Tshwane	110 456 419	90 425 090
<b>Other subsidies</b>		
Executive Mayor donations and other transfers	2 554 598	3 831 909
LED Initiatives	3 470 325	507 153
Gratuities	22 451 851	14 847 168
Section 21 schools-learning, training support	-	240 000
ECD-NGO support	6 000 503	7 008 096
DSA NPO Support	-	20 308 887
	<b>34 477 277</b>	<b>46 743 213</b>
	<b>144 933 696</b>	<b>137 168 303</b>

\* See Note 62

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

		2020	2019 Restated*	
<b>46. Repairs and Maintenance</b>				
<b>June 2020</b>	Contracted services	General	Other materials	Grand total
Heritage	-	2 539 777	-	2 539 777
Intangible	69 876 105	1 168 664	1 883 247	72 928 016
Investment Property	-	211 443	-	211 443
PPE	504 970 495	572 942 512	159 301 758	1 237 214 765
	<b>574 846 600</b>	<b>576 862 396</b>	<b>161 185 005</b>	<b>1 312 894 001</b>
<b>June 2019</b>	Contracted services	General	Other materials	Grand total
Heritage	-	4 478 483	-	4 478 483
Intangible	56 238 845	2 131 952	2 120 966	60 491 763
Investment Property	-	1 175 903	-	1 175 903
PPE	493 947 069	558 808 030	167 853 124	1 220 608 223
	<b>550 185 914</b>	<b>566 594 368</b>	<b>169 974 090</b>	<b>1 286 754 372</b>
<b>47. General expenses</b>				
A re Yeng operations			57 136 485	239 135 349
Advertising and marketing			16 968 224	29 871 027
Auditors remuneration			30 117 493	27 863 753
Bank charges			20 800 418	20 691 232
Bulk water purchases: own sources			32 299 325	22 483 393
Commission paid on prepaid electricity sales			-	619 872 093
Commission paid			13 748 348	13 119 495
Communications			1 015 297	-
Compensation			65 261 488	54 316 911
Compensation commissioner			12 846 507	11 435 111
Computer services			51 198 552	47 712 034
Contribution: Legal proceedings provision			294 642 368	(28 690 453)
End user support			22 853 143	21 582 804
Events management			44 869 004	91 034 257
Events management			8 801 222	11 014 068
Forensic Audit			845 369	-
Internet fees			35 574 761	39 993 075
Inventory write-down			4 151 602	10 800 835
Lease expenses			69 324 661	12 087 062
Leasing of property			325 258 505	309 231 786
Licences			17 304 618	18 284 143
Locomotion allowance			20 671 054	19 850 090
Management information system			66 866 653	29 912 323
Membership fees			15 458 011	3 702 208
Non-capital items			2 150 929	7 622 707
Other expenses			159 687 698	105 660 855
Postage			29 937 361	39 334 916
Printing			19 268 977	20 400 293
Protective clothing and uniforms			92 929 267	67 538 533
Rehabilitation provisions expense			7 284 080	6 959 997
Rental of plant and equipment			338 598 924	256 769 310
Rental of venues			1 576 760	9 881 746
Rental vehicles			70 538 810	106 354 178
Software licences			116 952 699	79 710 716
Subsistence and travelling			-	35 757
Telecommunication			40 479 317	30 715 032
Training board fees			76 206 526	75 242 823
Transport Cost			5 514 750	16 172 914
Service costs: Tshwane House			34 325 253	11 175 856
VAT corrections			-	31 899 170
Wi-fi			57 316 402	82 889 014
			<b>2 280 780 861</b>	<b>2 573 666 413</b>

\* See Note 62

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

	2020	2019 Restated*
<b>48. Disposal of a significant asset(s) /or a group of assets and liabilities /or a component of the entity</b>		
Management has taken a decision to dispose of a significant asset /or a group of assets and liabilities /or a component of the entity.		
<b>Description of the asset(s), group of assets and liabilities or, component</b>		
Mostly office furniture and equipment, computer equipment, machinery and equipment and fleet have been marked for disposal and were in the auction yard at the end of the reporting period.		
During 2019/20 various assets were sold either through public auction (sale was completed) and through land sales initiated by Group Property Management Department		
<b>Carrying values</b>		
Carrying values of the assets	1 515 953	327 508
Carrying value of liabilities	-	1 021 967
<b>Facts and circumstances of the disposal</b>		
The assets in the auction yard are mostly furniture and equipment, computer equipment, machinery and equipment and minor infrastructure items that have been marked for disposal as they are in most cases damaged or outdated and no longer fit for usage by the municipality.		
<b>Further approvals required</b>		
Approval by the City Manager is required to hold an auction.		
The expected sale or transfer date is still to be determined.		
<b>Disposals completed during the year</b>		
During the 2019/2020 financial year the sale of various assets were sold through public auction were completed. The retirement proceeds amounted to R4 644 744 while the net gain amounted to R3 738 517		
<b>Circumstances that may have resulted in a decision to dispose of an asset being reversed during the reporting period</b>		
None.		

\* See Note 62

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

	2020	2019 Restated*
<b>49. Cash generated from operations</b>		
(Deficit) surplus	(2 932 190 361)	2 620 450 577
<b>Adjustments for:</b>		
Depreciation and amortisation	2 076 519 340	2 082 518 594
(Loss)/gain on sale of assets and liabilities	68 628 570	66 867 224
Gain on redemption fund investment	(182 784 700)	(90 716 762)
Restatement of accumulated surplus previous year	-	104 927 673
(Loss) /Gain on foreign exchange	(104 860)	(361 654)
Profit on sale of assets	(25 478 579)	-
Fair value adjustments	161 499 310	197 499 348
Finance costs - Finance leases	71 502 245	95 701 710
Finance cost - Service concession	234 117 829	245 706 604
Adjustment of non-cash employee cost	873 766 793	-
Newly identified assets	(5 807 269)	(47 601 186)
Donated:Assets	-	(13 730 713)
Inventory write-down	4 151 602	10 800 835
Assets impairment	59 947 396	212 691 197
Debt impairment	3 095 462 994	1 803 186 397
Movements in retirement benefit assets and liabilities	-	4 424 841
Movements in provisions	-	61 083 444
Movement in service concessions	233 490 483	-
Finance cost late payment of vendors	7 106 067	-
Amortisation on loans (non-cash)	-	(37 059 421)
Interest received: accrual (non-cash)	-	(7 134 274)
Irregular expenditure write-off	-	(84 273)
Redemption fund (non-cash)	-	(3 352 973)
Finance cost - Service concession	50 705 274	-
Vat audit adjustments	(54 591 998)	-
Leave accrual - non-cash	-	171 455 278
<b>Changes in working capital:</b>		
Inventories	20 128 987	(88 447 793)
Receivables from exchange transactions	(124 196 127)	(118 882 582)
Consumer receivables	(4 400 960 346)	(2 552 482 366)
Payables from exchange transactions	1 104 700 641	(134 446 635)
VAT	(422 154 903)	240 761 118
Unspent conditional grants and receipts	189 705 663	(174 028 661)
Consumer deposits	114 601 288	42 721 816
Provisions	-	2 450 000
	-	-
	<b>217 765 339</b>	<b>4 694 917 363</b>
<b>50. Rental income straightlining</b>		
Gross investment in the lease due	-	-
- Within one year	6 747 554	7 933 341
- In second to fifth year inclusive	21 363 961	29 040 105
- Later than five years	79 755 588	170 302 814
	<b>107 867 103</b>	<b>207 276 260</b>

\* See Note 62



# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

	2020	2019 Restated*
<b>51. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Approved and contracted for</b>		
• Infrastructure assets	1 521 305 114	1 339 591 541
• Community assets	225 267 589	13 814 678
• Other	-	429 999 753
• Intangible assets	2 405 018	29 099 027
	<b>1 748 977 721</b>	<b>1 812 504 999</b>
<b>Approved but not yet contracted for</b>		
• Infrastructure assets	1 229 692 574	942 565 497
• Community assets	128 221 785	46 496 684
• Intangible assets	23 860 370	349 961 940
• Other	35 154 504	-
	<b>1 416 929 233</b>	<b>1 339 024 121</b>
	<b>3 165 906 954</b>	<b>3 151 529 120</b>
<b>Total capital commitments</b>		
Already contracted for but not provided for	1 748 977 721	1 812 504 999
Not yet contracted for and authorised by accounting officer	1 416 929 233	1 339 024 121
	<b>3 165 906 954</b>	<b>3 151 529 120</b>
<b>52. Unauthorised expenditure</b>		
Opening balance	792 933 787	1 758 293 259
Unauthorised expenditure in current year	2 249 134 139	446 395 778
Less: Write-off and condonation relating to 2016/17 (Council Resolution 25 April 2019)	-	(323 144 188)
Less: Approved/Condoned by Council in respect of 2017/18 on 27 September 2018 (non-cash items)	-	(704 224 563)
Less: Write-off relating to 2016/17 (Council Resolution 25 July 2019)	-	(263 044 000)
Less: Write-off relating to 2017/18 (Council Resolution 25 July 2019)	-	(64 782 499)
Less: Amounts to be recovered in line with section 32 of the MFMA (Council Resolution 25 July 2019) iro 2016/17	-	(56 560 000)
<b>Closing balance</b>	<b>3 042 067 926</b>	<b>792 933 787</b>

Refer to the Appendices (Appendix D) relating to municipal votes and revenue and expenditure line items for more detail.

\* See Note 62

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

	2020	2019 Restated*
<b>52. Unauthorised expenditure (continued)</b>		
<b>Unauthorised expenditure: Budget overspending - per strategic unit</b>		
Community and Social Development Services	32 059 296	-
Customer Relations Management	10 084 721	-
Emergency Management Services	17 802 767	-
Environmental and Agriculture Management	148 677 341	-
Group Financial Services	880 761 933	409 081 978
Group Legal and Secretarial Service	21 816 013	6 839 246
Group Property Management	17 038 112	-
Office of the Chief Whip	190 995	-
Regional Operation & Coordination	129 713 430	-
Roads & Transport	34 779 637	8 721 884
Utility Services	956 209 893	21 752 670
	<b>2 249 134 138</b>	<b>446 395 778</b>
<b>The over expenditure by municipal departments during the year is attributable to the following categories:</b>		
**Cash	(196 716 128)	(501 627 729)
**Non-cash	2 445 850 268	948 023 507
	<b>2 249 134 140</b>	<b>446 395 778</b>
<b>Analysis of non-cash per department:</b>		
Community and Social development	85 069	-
Customer Relations Management	514 334	-
Emergency Management Services	13 231	-
Environment and Agriculture Management	105 708 972	-
Group Financial Services	1 030 502 010	730 901 170
Group Legal and Secretariat Services	-	(274 901)
Group Property	45 696 267	-
Office of the Chief Whip	190 995	-
Regional Operation & Coordination	565 449	-
Roads & Transport	49 651 539	-
Utility Services	1 212 922 402	186 708 013
Emergency Services	-	30 689 225
	<b>2 445 850 268</b>	<b>948 023 507</b>
<b>53. Fruitless and wasteful expenditure</b>		
Opening balance as previously reported	148 139 689	107 747 434
Add: Fruitless and wasteful expenditure - current year	329 614 100	-
Add: Fruitless and wasteful expenditure - prior year identified in current	673 105	-
Less: Amounts to be recovered in line with section 32 of the MFMA- (Administrator Resolution)	(42 690 068)	-
Interest on late payment of vendor	-	9 655 479
ICT systems not utilised but cost incurred	-	47 363 764
Outdated electricity meters	-	41 287 250
Tshwane Market: Software not suitable	-	5 067 184
Less: Amounts to be recovered in line with section 32 of the MFMA- prior year (Council Resolution 25 July 2019)	-	(62 981 422)
<b>Closing balance</b>	<b>435 736 826</b>	<b>148 139 689</b>

\* See Note 62

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

	2020	2019 Restated*
<b>53. Fruitless and wasteful expenditure (continued)</b>		
<b>Details of fruitless-and wasteful expenditure – current year</b>		
Interest on expropriation transaction - Roads and Transport( Wondeboon Farm)	348 601	-
Roads and transport (interest)	104 318	-
Group Property) Payment of interest on rental in arrears at Bothongo Plaza	7 106 067	-
Ex gratia payments	237 978 592	-
Investigation into alleged ghost employees	84 076 522	-
	<b>329 614 100</b>	<b>-</b>
<b>54. Irregular expenditure</b>		
Opening balance as previously reported	4 413 625 980	5 053 991 069
Add: Irregular Expenditure - current year	848 904 865	1 880 464 704
Add: Irregular Expenditure - prior period #	-	996 245 412
Less: Amount recoverable -prior period (Council resolution 25 April 2019)	-	(3 262 568 782)
Less: Amount written off - prior period (Administrators' resolution)	(252 459 188)	-
Less: Amount recoverable -prior period (Administrators' resolution)	(1 335 153 979)	-
Less: Amount written off - prior period (Council resolution 25 April 2019)	-	(27 783 933)
Less: Amount written off - prior period (Council resolution 25 July 2019)	-	(226 722 490)
	<b>3 674 917 678</b>	<b>4 413 625 980</b>

Potential COVID-19 irregular expenditure estimated to the amount of R 19 793896 .88 related to provision of food and shelter for homeless investigation -pending.

\* See Note 62

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

### 54. Irregular expenditure (continued)

Incidents/ Cases Identified in the current year Includes those listed below:

	Disciplinary steps taken/criminal proceedings		
Irregular expenditure relating to prior year identified in the current year - Payments outside the contract term	Investigation completed the report to be presented to council	13 864 293	996 245 412
Non-Compliance with Section 32 of the MFMA	Investigation per individual cases concluded (others still under investigation), consequence management and other implememntaiton in line with Section 32, Section 170, 171 and 173 of the MFMA underway	39 425 448	357 283 347
Non-compliance with SCM Regulation 36 (Deviations)	Under investigation -pending outcome	108 921 500	167 230 052
Non compliance with SCM regulation 38, Prohibited Suppliers	Under investigation -pending outcome	-	896 669
Non-compliance with MFMA, SCM regulations and PPP regulations	Investigation concluded, case handled by Legal Services including advise on Section 32(2) implementation	231 195 910	349 385 787
Non-compliance with MFMA and SCM regulations	Investigation concluded, consequence management and other implememntaiton in line with Section 32, Section 170, 171 and 173 of the MFMA underway	74 851	413 131
Non-compliance with PPR (Par 5), SCM Regulations (Par 38 (1) and (MFMA) Par 112(2)	Investigation concluded, consequence management and other implememntaiton in line with Section 32, Section 170, 171 and 173 of the MFMA underway	107 479 921	37 404 025
Non-compliance with SCM Regulation 32	Investigation concluded, consequence management and other implememntaiton in line with Section 32, Section 170, 171 and 173 of the MFMA underway	39 765 101	325 641 474
Non-compliance with MFMA Section 110	Under investigation -pending outcome	23 970 560	-
Contract payments outside the contract term	Under investigation -pending outcome	27 736 100	207 191 828
Non compliance with section 217 of the Constitution	Under investigation -pending outcome	114 234 433	122 663 560
Forensic investigation - Waste Management division (Impact of sub & Skip loaders hire)	Under investigation -pending outcome	-	141 348 541
Non-compliance with PPR 5(6)	Under investigation -pending outcome	321 234	78 858 859
Subcontracting more than 25%	Under investigation -pending outcome	28 500 000	2 226 271
Winning bidder not meeting mandatory requirements	Under investigation -pending outcome	1 050 397	1 340 431
Non compliance with Section 112	Under investigation -pending outcome	31 631 918	33 877 566
Non compliance with Section 112 - Unfair disqualification of bidders	Under investigation -pending outcome	66 042 749	52 854 887
Non compliance with SCM regulation 44	Under investigation -pending outcome	-	1 848 275
Award value above the tender value range in terms of CIDB requirements	Under investigation -pending outcome	14 690 450	-
		<b>848 904 865</b>	<b>2 876 710 115</b>

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

### 54. Irregular expenditure (continued)

# No Contracts were newly identified in the current year that were deemed to be irregular from prior year period

#### Amounts to be recovered in line with section 32 of the MFMA

After the Council Committee Investigations, Council in April 2019 resolved that irregular expenditure amounting to R3 261 224 440 as well as irregular expenditure amounting to R1 344 342 uncovered through the ex post facto cases reported through the Group Financial Services and Bid Adjudication Committee system which were disclosed in the 2014/15, 2015/16, 2016/17 and 2017/18 annual financial statements be recovered in terms of section 32(2)(b).

Incidents were related to:

- \* Non-compliance with MFMA, SCM regulations and PPP regulations
- \* Section 19(a) of the SCM regulations
- \* Non-compliance with MFMA and SCM regulations.

#### Amounts written off

After the Council Committee Investigations, Council in April 2019 resolved that irregular expenditure amounting to R27 783 33 uncovered through the ex post facto cases reported through the Group Financial Services and Bid Adjudication Committee system be condoned and written off in terms of section 32(2)(b). Council further certified in July 2019 that irregular expenditure amounting to R226 722 489 be declared as irrecoverable and written off in terms of section 32(2)(b).

Incidents were related to:

- \* Non-compliance with budgeting process
- \* Section 32 Of MFMA
- \* Failure of services provider to deliver services appointed for .

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

2020

2019  
Restated\*

### 55. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process. Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and then reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

In terms of Section 36(1)(a) of the Supply Chain Management Regulations, the accounting officer may dispense with the official procurement processes in the following instances:

- in an emergency
- if such goods or services are produced or available from a single provider only
- for the acquisition of special works of art or historical objects where specifications are difficult to complete
- acquisition of animals for zoos and/or nature and game reserves
- in any other exceptional case where it is impractical or impossible to follow the official procurement processes

\* See Note 62

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

	2020	2019 Restated*
<b>55. Deviation from supply chain management regulations (continued)</b>		
<b>Deviation from tender and quotation process:</b>		
• Sole suppliers		
• Emergency		
• Impracticality		
In terms of Section 36 of the Municipal Supply Chain Management Regulations, any deviation from the supply chain management policy needs to be approved/condoned by the accounting officer and noted by Council.		
Deviations from the official procurement process during the financial year were approved by the accounting officer and noted by council in terms of the delegations as stipulated in the Supply Chain Management Policy and amount to approximately the following:		
<b>Deviation from tender process (amounts above R200 000)</b>		
Emergency	133 632 542	35 889 327
Sole providers	47 753 582	6 645 560
Other exceptional cases	81 844 465	11 162 693
	<b>263 230 589</b>	<b>53 697 580</b>
<b>Deviation from quotation process (amounts below R200 000)</b>		
Sole providers	-	168 950

## 56.Regulation 45 disclosure

In terms of the regulation 45 of the Municipal SCM regulations, the notes to the annual financial statements of a municipality must disclose particulars of any award of more than R2 000 to a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous twelve months, including—

- (a) the name of that person;
- (b) the capacity in which that person is in the service of the state; and
- (c) the amount of the award.

**2019/2020**

\* See Note 62

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

	2020	2019 Restated*
<b>56. Regulation 45 disclosure (continued)</b>		
<b>The name of the person</b>	<b>The capacity</b>	<b>The amount of the award</b>
SZ Teffo	Snr storekeeper	777 950
RM Mametja	Community health nurse	5 396
VI Netshidzati	Engineer technician	19 734
PL Mapheto	Head of operation clean audit	114 790
PT Kgokong	Admin officer	41 180
AT Matabane	Director	21 350
		<b>980 400</b>
<b>2018/2019</b>		
<b>The name of the person</b>	<b>The capacity</b>	<b>The amount of the award</b>
Louis Phillip Kekana	EPWP - contract expired 01/01/2018	18 000
Josia Masenya	Storekeeper	12 594
Selani Sithole	City of Johannesburg	6 866 453
Puseletso Phele	EPWP Contract worker	5 100
Mmasenyeng Mariam Nthite	Revenue Agent	23 625
Burnett Kapari Moraka	Deputy Director	37 450
Absalom Sbusiso Ntuli	Storekeeper	29 996
*various employees	*Various service of the state	5 222 629
		<b>12 215 847</b>
The officials involved in the R5 222 629 are listed below:		
Alan Moffet	Department of Rural Development and Land Reform	
Dave Allderman	Eastern Cape Department of Education)	
Jenny Moon	City of Cape Town	
Julian Kolle	Department of Education	
Liso Gqobo	Ethekweni Municipality	
Manie Cilliers	Department of Education	
Mahamed Peer	Ethekweni Municipality	
Mthokozisi Selby Mkhize	National Department of Water Affairs and Forestry)	
Neil Brink	Department of Education Free State	
Penny Smith	Department of Transport and Public Works	
Rorisang Lekonyana	Department of National Treasur)	
Ntshavheni Phidza	Economic Development	
Sergei Kiewiet	Department of Water Affairs and Forestry	
Shantal Beharie	Eskom	
Vennie Naidoo	Gauteng Department of Education	
Vernon Joubert	Western Cape Department of Education	
Werner Jaskolka	Department of Higher Education and Training: Gauteng	
Zafar Haq	City EngineersAdditional text	

\* See Note 62



# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

	2020	2019 Restated*	
<b>57. Additional disclosure in terms of the Local Government: Municipal Finance Management Act</b>			
<b>Contributions to organised local government (SALGA)</b>			
Current year subscription / fee	3 399 930	4 206 860	
Amount paid - current year	(3 399 930)	(4 206 860)	
	<u>-</u>	<u>-</u>	
<b>Audit fees</b>			
Current year audit fee	30 117 493	27 863 753	
Amount paid - current year	(30 117 493)	(27 863 753)	
	<u>-</u>	<u>-</u>	
<b>PAYE and UIF</b>			
Opening balance	122 845 118	117 675 818	
Current year payroll deductions	1 459 133 404	1 464 502 459	
Amount paid - current year	(1 459 133 404)	(1 341 657 341)	
Amount paid - previous years	(122 845 118)	(117 675 818)	
	<u>-</u>	<u>122 845 118</u>	
<b>Pension and Medical Aid Deductions</b>			
Current year payroll deductions and council contributions	1 876 073 123	2 325 195 413	
Amount paid - current year	(1 876 073 123)	(2 325 195 413)	
	<u>-</u>	<u>-</u>	
<b>Councilors' arrear consumer accounts</b>			
The following Councilors had arrear accounts outstanding as at 30 June 2020:			
# These councilors made arrangements to pay off their arrear debt.			
30 June 2020	Less than 90 days	More than 90 days	Total
MOHLALA R J B	7 052	3 888	10 940
ZITHA B P & F T .	14 697	12 388	27 085
SILAULE (ERFGENAAM) G V	6 344	38 456	44 800
MOBOA P P & T C	4 400	32 579	36 979
MAHWAYI M M	13 188	89 453	102 641
RAMMUSHI JABULANI PAULUS	960	4 907	5 867
MOJELA DANIEL LAKI	46	1 750	1 796
RAPHUTHI MABOSHADI MINA	1 967	10 068	12 035
LEHOBYE MALOSE JOHN	5 781	43 637	49 418
PHOKOJE S T T	2 314	509	2 823
NDLOVU T A #	10 183	87 636	97 819
MASEMOLA C N	20 709	133 003	153 712
MAKGATHO J T	5 073	1 303	6 376
MAEPA K L & W T S	2 832	19 705	22 537
MAGASENG & MAKGALENG M M & K G	189	344	533
MALULEKA A M	5 153	7 459	12 612
MNGUNI N P	1 800	2 177	3 977
MONCHUSI D J & R G M #	235	6 975	7 210
MAINE M T & T A	5 073	3 719	8 792
MALEKA RAMOKONE REBONE(HEIR)	3 513	12 832	16 345
MOLOI EUNICE DINEO	36	1 320	1 356
	<u>111 545</u>	<u>514 108</u>	<u>625 653</u>

\* See Note 62

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

	2020	2019 Restated*	
<b>57. Additional disclosure in terms of the Local Government: Municipal Finance Management Act (continued)</b>			
30 June 2019	Less than 90 days	More than 90 days	Total
Zitha, BP and FT	19 591	4 570	24 161
Silaule, GV (Heir)	5 349	27 850	33 199
Moboa, PP and TC	3 013	26 488	29 501
Mahwayi, MJ and MM	6 597	91 851	98 448
Disoloane, KB #	17 683	20 010	37 693
Rammushi, J P	863	3 328	4 191
Makgatho and Bofu AL and JT	1 532	915	2 447
Mojela, D L	196	1 508	1 704
Lehobye, MJ	4 016	36 148	40 164
Maleka, RR (Heir)	1 526	7 387	8 913
Visser, GP	684	1 647	2 331
Monchusi, DJ and RGM	4 122	17 044	21 166
Moloi, ED	470	604	1 074
Masemola, AT	4 308	39 191	43 499
Maepa, KL and WTS	2 149	14 833	16 982
Magaseng MM and KG and Makgaleng	223	507	730
Tshabane, SB	6 045	19 044	25 089
Masemola, CN	27 026	48 545	75 571
Motsaneng MA #	422	5 146	5 568
Ntlatleng WT and L #	4 548	3 476	8 024
Tyobeka-Makeke, NP	21 879	5 066	26 945
Maepa, KL and WTS	14 124	15 514	29 638
De Bruin, CRE	1 222	6 324	7 546
	<b>147 588</b>	<b>396 996</b>	<b>544 584</b>

# These councillors made arrangements to pay off their arrear debt

## 58. Contingencies

### Indemnification

Capitalised pension value in compliance with Compensation for Occupational Injuries and Diseases Act, 1993

149 509 470 145 843 534

The capitalised value as at 30 June 2020 which is calculated by the department of Labour amounted to R 149 509 470. The actual amount is guaranteed with a bank guarantee.

### Guarantees issued

Guarantees issued in favour of Eskom

213 500 213 500

### Insurance claims

Pending claims iro asset-, motor own damage- contractors and electricity claims  
Pending claims iro public liabilities

13 408 519 152 804 576  
226 559 905 848 824 873

**239 968 424 1 001 629 449**

The payment of claims against the City of Tshwane is provided for in the Self Insurance Reserve, which, as at 30 June 2020 has a balance of R288 703.23

### Litigation Matters:

The legal claims listed below are those that have arisen in the normal course of business and represent the possible amounts that could be awarded should the claims prove successful. The amounts have been based on the attorney's best estimates of the possible amount payable.

Amounts have not been provided in certain cases as the court has not yet determined a value - these cases are listed separately below. The claims where amounts are available are disclosed in the table below.

\* See Note 62

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

2020

2019  
Restated\*

### 58. Contingencies (continued)

#### a. General Litigation

##### Housing and Sustainable Human Settlement Development Department:

###### Case 1:

Claim for compensation by a land owner in Soshanguve. The land owner alleges that CoT allowed a squatter camp to develop on privately owned land. Owner now wants compensation arguing constructive expropriation.

###### Case 2:

Summons has been issued and an appearance to defend has been entered. The crux of the action is to compel the City of Tshwane to allocate land to persons listed in the summons as former residents of Lady Selbourne as mentioned in the summons. A closer look at the summons revealed that looking at the dates of birth of those people, they could never have been former residents of that area. Awaiting court date. Amount claimed cannot be estimated.

###### Case 3:

Dispute of ownership of house. Claim amount is undetermined.

###### Case 4:

Interdict application and to declare the City's conduct unlawful. Claim amount is undetermined.

###### Case 5:

Eviction application. Claim amount is undetermined.

###### Case 6:

Applicant requested an order to compel the City of Tshwane to retransfer the property Erf 443 Soshanguve in the name of the applicant.

###### Case 7:

Applicant requested an order to retransfer the property Erf 5511 Mamelodi in the name of the applicant.

###### Case 8:

Applicant requested an order to compel the retransfer of the property Erf 14670 Mamelodi in the name of the applicant.

###### Case 9:

The City of Tshwane be ordered to rectify the Title deed of the applicant

###### Case 10:

The City of Tshwane decision to allocate Erf 352 Saullsville be set aside

###### Case 11:

Emergency alternative accommodation

###### Case 12:

Emergency alternative accommodation

###### Case 13:

Emergency alternative accommodation

###### Case 14:

Emergency alternative accommodation

###### Case 15

The sale agreement regarding the sale of the property erf 14993 Mamelodi East be set aside

###### Case 16:

Application for court order to compel the City of Tshwane to transfer the property with Erf 200 Sonshanguve to the Applicant

###### Case 17:

Application for eviction. The City must file a report on alternative accommodation.

###### Case 18:

Application for Rescission of an Eviction Order.

###### Case 19:

Eviction Application. Calls for the City to provide alternative accommodation

\* See Note 62

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

2020

2019  
Restated\*

### 58. Contingencies (continued)

Case 20:  
Eviction Application. Calls for the City to provide alternative accommodation

Case 21:  
Application for allocation of properties (RDP Houses) and registration into various names

#### Group Financial Services:

Case 22:  
Application to remove an amount from the account

Case 23:  
Claim for a refund for payment made in error

Case 24:  
Application by property owners not part of the Lombardy Court case for an order that the orders of Lombardy should apply to them as well.

Case 25:  
Reconciliation of account

Case 26:  
Reconciliation of account

Case 27:  
City of Tshwane be compelled to do accurate reading of the owners electricity and water reading

Case 28:  
Reconciliation of account

Case 29:  
Reconciliation of account

Case 30:  
Claim for damages following an alleged incorrect billing. Consumer claims to have suffered psychologically and had to incur expenses to use a generator.

#### Group Human Capital Management

Case 31:  
The applicant brought an application against the CoT and the City Manager for an order declaring that the CoT should contribute towards the monthly premium aid scheme after their retirement in terms of the applicable pension rules.

Case 32:  
Labour Dispute. CoT had an agreement with UNISA in terms of which CoT provided busses to UNISA for transporting of UNISA employees. The Busses were driven by UNISA employees. UNISA in turn paid CoT a fee. When the contract between UNISA and CoT was terminated, the driver lodged a dispute for termination of employment. They are seeking remuneration either from UNISA or CoT, depending on who is found to have been the employer.

Case 33:  
Unfair labour practices

Case 34:  
Unfair dismissal review application of an arbitration award for reinstatement and compensation

Case 35:  
Unfair dismissal application for review of an award for reinstatement and back pay. Amount claimed cannot be estimated.

Case 36:  
Claim for promotion . Amount claimed cannot be estimated.

Case 37:  
Review of an award granting employee compensation, amounting to three month's salary.

Case 38:  
Unfair dismissal review application of an arbitration award for reinstatement and compensation

\* See Note 62

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

2020

2019  
Restated\*

### 58. Contingencies (continued)

Case 39:  
Dispute regarding the Compulsory Deduction of Leave days during Festive Season. MMM Appointed to defend this matter

Case 40:  
Unfair dismissal application for review of an award for reinstatement and back pay.

Case 41:  
Claim for payment of money for a higher positions

Case 42:  
Application for review by the CoT against an award

Case 43:  
Application for review by the CoT against an award

Case 44:  
application to rescind the reconciliation award regarding the reinstatement of dismissed EPWP employees

Case 45:  
Application to review an award

Case 46:  
COT Review Application

Case 47:  
Review Arbitration Award

Case 48:  
Review Arbitration Award

Case 49:  
Interdict Application and to declare the City's conduct unlawful

Case 50:  
Application for review by the Union

Case 51:  
Labour Court review application by CoT to challenge arbitration for reinstatement of dismissed employee. Employee brought application of contempt

Case 52:  
Application for contempt to compel CoT to pay a pension fund contribution rate difference for former employee of Bojanala District Municipality. Former employees only got 13% contribution

Case 53:  
Unfair Labour Practice grievance dispute

Case 54:  
SAMWU review application against an arbitration decision on the EPWP workers (1350/18). Amount cannot be determined at this stage.

Case 55:  
Grievance dispute regarding shirt allowance

Case 56:  
Review Application the Labour court

Case 57:  
Review of award to absorb Revenue Agents with criminal records. Amount cannot be determined at this stage.

Case 58:  
Review application by SAMWU. Amount cannot be determined at this stage.

Case 59:  
Employee is challenging an arbitration ruling

\* See Note 62

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

2020

2019  
Restated\*

### 58. Contingencies (continued)

Case 60:

CoT review of award in favour of employee

Case 61:

CoT challenging a step three grievance resolution by Dr Manganye giving employees shirt allowance. .

Case 62:

SAMWU review application against an arbitration decision on the EPWP workers

Case 63:

CoT review of an award

Case 64:

Revive application of award against employee for legitimate expectation

Case 65:

SAMWU review application against an arbitration decision on the EPWP workers

Case 66:

Dispute Claim against SALA Pension Fund

Case 67:

Application by Bokaba to review Condonation application for unfair dismissal

Case 68:

Application to make a separation agreement an order of court and for payment of interest on the separation amount

Case 69:

Application for review by employee

Case 70:

National Empowerment Fund dispute on pension

Case 71:

Ilmatu review application against award

Case 72:

SAMWU review application

Case 73:

Application for review .

Case 74:

CoT review application

Case 75:

SAMWU review application against an arbitration.

Case 76:

CoT application for review of an award finding legitimate expectation for employee.

Case 77:

SAMWU application for review.

Case 78:

Salary disparity dispute .

Case 80:

Application for review

Case 81:

Application for an order directing CoT to reinstate medical aid subsidy of 70% post retirement and 70% back payment of subsidy

Case 82:

Application to enforce a step three grievance resolution decision

\* See Note 62

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

2020

2019  
Restated\*

### 58. Contingencies (continued)

Case 83:  
Application to enforce a step three grievance resolution decision

Case 84:  
Review Application

Case 85:  
Review application-dismissal

Case 86:  
Application for review by employees

Case 87:  
Application for review by employee

#### Group Utility Services

Case 88:  
Application to review the City of Tshwane decision to not grant occupation certificate and to grant final electricity connection to Denneboom Mall

Case 89:  
"Personal injury allegedly caused by Council's negligence ,by leaving cables hanging and the substation's door opened and as a result a young boy was electrocuted and his body sustained 90?(degrees) burns.  
"

Case 90:  
Claims for variation escalation

#### Group Shared Services

Case 91:  
Review application of broad band tender. Amount cannot be determined at this stage.

Case 92:  
Application to review the award of tender CB54/2013 and the PPP entered into with service provider.

#### Group Roads and Transport

Case 93:  
Variation exceeding 15% - contract CB49/2012. Amount cannot be determined at this stage.

Case 94:  
Application to make CoT fix a road hight restriction under Eskom power lines

#### Other

Case 95:  
Application to review Section 139(1) decision

\* See Note 62

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

		2020	2019 Restated*
<b>58. Contingencies (continued)</b>			
<b>Tshwane House Contingencies</b>			
<b>Default terminations:</b>			
The default termination comprise of the default terminations as per the service concession arrangement between City of Tshwane and Tshela Tsweu Consortium (TTC). The termination scenarios are as follows:			
<b>Scenario 1: Termination pursuant to the City of Tshwane default prior to expiry of the concession period</b>			
The expected contingent liability for the City default over the life of the project given equal probabilities is R747 million.			
<b>Scenario 2: Termination for Private Party default</b>			
If at any time during the concession period the City of Tshwane terminates the PPP pursuant to a default by Tshela Tsweu Consortium (TTC), the City of Tshwane will be obliged to pay TTC a compensation amount. The expected contingent liability for Private Party default, given the equal probabilities is R540 million.			
<b>Scenario 3: Termination for Force Majeure</b>			
If the PPP agreement is terminated by the City of Tshwane or TTC as a result of a Force Majeure event, the City of Tshwane is obliged to compensate TTC a Force Majeure Termination amount. The expected contingent liability for Force Majeure default over the life of the project, given equal probabilities is R663 million.			
<b>Scenario 4: Termination for Corrupt Acts and Fraud</b>			
If the City of Tshwane terminates the PPP agreement pursuant to corrupt gifts and payments, the City of Tshwane shall be liable to pay TTC a termination amount. The expected contingent liability under Corrupt Acts default scenario over the life of the project, given equal probabilities is R613 million.			
There is uncertainty as to the timing of any of the termination scenarios, therefore simulation were used to arrive at the expected contingent liability.			
<b>Litigation</b>	<b>Short description of cases</b>		
Group Economic Development and Spatial Planning	Claim for loss of income due to delay in approving and advertisement	1 263 800	1 263 800
Group Economic Development and Spatial Planning	Render a proper account in respect of waste management services as amount on account was unlawfully calculated	1 077 821	-
Housing and Sustainable Human Settlement Development	Expropriation Property A property was expropriated by the CoT and the claimant is not happy with the amount of compensation paid, hence the claimant is suing for compensation. Awaiting court dates	790 000	-
Housing and Sustainable Human Settlement Development	Expropriation. A property was expropriated by the CoT and the claimant is not happy with the amount offered as compensation. Negotiations are underway to find an appropriate amount. Awaiting court date	790 000	-
Housing and Sustainable Human Settlement Development	Claim for specific performance and damages. Claimant awarded tender and given letter of appointment but was not given work.	16 925 581	-
Housing and Sustainable Human Settlement Development	Claim for damages, Brookway's properties were invaded and they obtained an order to evict, the order also directed the CoT to provide an alternative by a particular date. Plaintiff claims CoT failed to provide alternative. Hence Plaintiff had to eventually sell the property and suffered damages.	176 526 000	-
Housing and Sustainable Human Settlement Development	Claim for interest on amount payable for compensation of expropriation of servitude on portion 241 Wonderboom 302 JR	371 900	371 900
Housing and Sustainable Human Settlement Development	Claim for compensation due to City or its officials encouraging/supporting unlawful invasion and occupation of a farm. Claim for compensation in terms of Expropriation Act	3 500 000	3 500 000

\* See Note 62



# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

		2020	2019 Restated*
<b>58. Contingencies (continued)</b>			
Housing and Sustainable Human Settlement Development	Claim for compensation due to City or its officials encouraging/supporting unlawful invasion and occupation of a farm. Claim for compensation in terms of Expropriation Act	3 500 000	3 500 000
Housing and Sustainable Human Settlement Development	Contract dispute adjudication by contractor (Rama) claim for: additional costs CPA Escalation R4 568 249, 98; Payment certificate R2 259 078, 46 and loss/damages as a result of repudiation of the contract by CoT. CoT terminated the contract. Total R6 827 328, 45 plus losses.	6 827 328	-
Housing and Sustainable Human Settlement Development	Claims for payment of rental for Clarina flats where former residents of Schubart Park are housed.	50 616 000	-
Housing and Sustainable Human Settlement Development	Claim for compensation for wrongful invasion of privately owned land	3 800 000	-
Group Financial Services	Interest owing: Dispute over interest debited and owing. Claimant wants same back	80 000	80 000
Group Financial Services	Claim for refund of moneys paid to obtain clearance certificates.	117 246	117 246
Group Financial Services	Damages and refund claim: incorrect clearance certificate. Plaintiff to apply for trial date.	71 296	71 296
Group Financial Services	Breach of contract: Work to be done before 2010 Soccer World Cup. Department alleges that work was never done.	33 594	33 594
Group Financial Services	Payment for services: Summons was issued in this matter. Dispute regarding claim. Negotiations to resolve the matter took place and matter is still pending	2 622 000	2 622 000
Group Financial Services	Demand for legal fees for debt collection: services of firm of attorneys. Apparently, the municipality verbally (orally engaged the services of) instructed attorneys in September 2005 to do debt collection on behalf of the municipality and that the municipality owes the legal firm. Matter is defended	1 657 251	1 657 251
Group Financial Services	Claim for refund: Over charged for water. Municipality has filed a plea.	5 111 360	5 111 360
Group Financial Services	Damages claim: wrong calculation of service charges. Plaintiff is seeking damages in form of a refund for overpayment.	20 274	20 274
Group Financial Services	Claim for refund: Overpaid electricity due to wrong calculation	45 307	45 307
Group Financial Services	Claim for refund: Levying of rates on certain categories not existent in erstwhile Kungwini	288 789	288 789
Group Financial Services	Claim for refund: Levying of rates on certain categories not existent in erstwhile Kungwini.	265 661	265 661
Group Financial Services	Warrant for execution for failure to pay for leased office machines	5 065 000	-
Group Financial Services	Claim for a credit. Application to amend, alternatively credit applicant's municipal account with claim amount and restore electricity supply.	465 332	465 332
Group Financial Services	Applicant to have the City of Tshwane reverse charges on a municipal account leaving account holder with a credit.	20 380	20 380
Group Financial Services	Applicant seeking adjustment of account with reversal implication.	452 960	452 960
Group Financial Services	Applicant seeking adjustment of account with reversal implication.	66 720	66 720
Group Financial Services	Claim for refund of overcharged electricity.	1 631 706	1 631 706
Group Financial Services	Plaintiff alleges that City of Tshwane charged a penalty fee for each property in the development. City alleges that there was unauthorised tampering with prepaid meter.	1 552 648	-

\* See Note 62

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

		2020	2019 Restated*
<b>58. Contingencies (continued)</b>			
Group Financial Services	An order to remove the amount from the account. Finalised - to be rescinded. Value was R100 000.	-	-
Group Financial Services	Reconciliation of municipal account	89 694	-
Group Financial Services	Reconciliation of municipal account	113 737	-
Group Financial Services	Application by property owners not part of the Lombardy Court case for an order that the order of Lombardy should apply to them as well.	646 229	-
Group Financial Services	Reconciliation of account	281 480	-
Group Financial Services	Reconciliation of account	140 290	-
Group Financial Services	Claim for an Increase towards Travelling Allowance. Matter currently being opposed by Geldenhuis Attorneys	1 000 000	-
Group Financial Services	Claim for a refund	112 856	-
Group Financial Services	Applicant to have the CoT reverse charges on a municipal account. This will leave the account holder with a credit.	2 038 069	-
Group Financial Services	Claim for a refund on a disputed account	21 640	-
Group Financial Services	Applicant seeking adjustment of account with referral implication.	452 960	-
Group Financial Services	Claim for damages as a result of incorrect billing.	790 084	-
Group Financial Services	Application to order appointment of valuer and transfer of property	70 353	-
Group Financial Services	Application- to remove service levy on the account	115 217	-
Group Financial Services	Application- to render accounts and remove amounts from account	24 210	-
Group Financial Services	Breach of contract claims for damage payment	23 157 240	-
Group Financial Services	Summons for payment of amount iro clearance certificates	367 194	-
Group Financial Services	Application for refund in respect of valuation category of property	1 434 627	-
Group Financial Services	Review application by unsuccessful bidder, Ithenda Projects (Pty) LTD. The bidder did not meet requirements in terms of Functionality Criteria (Stage 3)	5 459 319	-
Group Financial Services	Claim for a refund of moines	446 200	-
Group Human Capital Management	Claim for breach of employment contract. Fixed employment contract terminated before the fixed period lapsed.	3 221 995	3 221 995
Group Human Capital Management	Breach of contract: Contract concluded in Pretoria and put Magistrate Nigel as forum for adjudication.	100 000	100 000
Group Human Capital Management	Enforcement of arbitration award	92 595	92 595
Group Human Capital Management	Constructive dismissal damages claim. Plaintiff was diagnosed with PTS disorder which it was acknowledged was caused by the employee's conduct hence classified as an injury on duty. Plaintiff was then unable to perform her duties and was subsequently dismissed for mental incapacity. Plaintiff is now suing for damages as a result of the dismissal. Await a new trial date.	850 884	850 884
Group Human Capital Management	Breach of contract: Constructive dismissal as position was not available on erstwhile Nokeng organogram. Claims compensation and performance bonuses. Matter is still pending. Finalised in 2019.	-	159 705
Group Human Capital Management	Breach of Contract: 2 Councillors and an official procured work for City without following prescribed SCM procedures. Both councillors resigned and official is on suspension.	796 680	796 680

\* See Note 62

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

		2020	2019 Restated*
<b>58. Contingencies (continued)</b>			
Group Human Capital Management	Unfair dismissal: Erstwhile Nokeng appointed traffic officers who did not meet minimum requirements - relieved of duties. Matter still pending at bargaining council.	97 734	97 734
Group Human Capital Management	Unfair labour practice: Erstwhile Nokeng Municipality paid employer medical aid contributions directly to plaintiff in stead of medical aid. Matter is still pending. Finalised in 2019.	-	42 000
Group Human Capital Management	Claim for damages: Unlawful termination of employment. Additional claim.	2 500 000	2 500 000
Group Human Capital Management	Claim for damages: Repudiation of contract of employment. Suing for constructive dismissal and claiming damages.	5 464 800	5 464 800
Group Human Capital Management	Claim for damages: Suspension pending investigation into alleged misconduct. City is to file amended plea.	8 000 000	8 000 000
Group Human Capital Management	Claim for stolen pension money. Referred to Commercial Crimes Unit of SAPS.	649 017	649 017
Group Human Capital Management	Claim for stolen pension money. Cheque for pension payout was issued to wrong person.	327 211	327 211
Group Human Capital Management	Unpaid pension fund	338 848	338 848
Group Human Capital Management	Compensation for unfair labour practices	1 000 000	1 000 000
Group Human Capital Management	Claim for payment of acting allowance	67 099	67 099
Group Human Capital Management	Application to make an award an order of court	30 000	-
Group Human Capital Management	Alleged unlawful deduction of salary due to absconement.	100 000	100 000
Group Human Capital Management	Review of application by City of Tshwane against an award in favour of service provider.	3 175 000	7 378 320
Group Human Capital Management	Application to compel City of Tshwane to implement an equity plan and pay a fine	1 500 000	-
Group Human Capital Management	Arrear payment relating to salary deducted alleged unpaid leave deducted	43 183	-
Group Human Capital Management	Review application	292 635	-
Group Human Capital Management	Application to reverse deduction	68 655	-
Group Human Capital Management	City of Tshwane review application	470 000	-
Group Human Capital Management	Payment of outstanding salaries	23 101 148	-
Group Human Capital Management	Review application	23 174 012	-
Group Human Capital Management	Review application	3 934 568	-
Group Human Capital Management	Application to reverse deduction	68 655	-
Group Human Capital Management	Payment of damages This is a claim for damages relating to the appointment of a former municipal manager of kungwini municipality. The matter is defended and we are awaiting a trial date.	2 250 000	-
Group Human Capital Management	Claim by retired employee for payment of the post retirement medical ontributions by the CoT as employer	139 359	-
Group Shared Services	Claim for damages as a result of breach of contract.	305 830	305 830
Group Shared Services	Suffered loss regarding the broad band contract as the Court has set aside the said contract. Claiming damages regarding for the recovery of loss suffered as result of the broad band contract which was set aside by court.	134 938 261	-
Group Shared Services	Suffered loss regarding the broad band contract as the Court has set aside the said contract. Claiming damages regarding for the recovery of loss suffered as result of the broad band contract which was set aside by court.	327 764 660	-

\* See Note 62

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

		2020	2019 Restated*
<b>58. Contingencies (continued)</b>			
Group Shared Services	Claim for damages in respect of the Broadband Tender in that the CoT is in breach and Thobela seeks compliance with the contract and implementation. The claims is conditional upon the outcome of the an appeal against the judgement in favour of the CoT reviewing and setting aside the Broadband Contract	1 955 738 877	-
Group Utility Services	Breach of contract: Roads and water reticulation construction not properly done. Matter is defended.	2 858 037	2 858 037
Group Utility Services	Contractual claim for adverse physical conditions encountered during a project for laying of a sewer network in Babelegi. The matter is currently in the high court and the intention is to go for arbitration. An arbitration process is going to be initiated.	6 683 428	6 683 428
Group Utility Services	Breach of contract: Tender awarded to provide security services. Information not retrieved information from the company.	98 724	98 724
Group Utility Services	Breach of contract: Tender awarded for City wide communication system. Plaintiff failed to live up to tender specifications and municipality cancelled contract. Matter is defended.	1 401 516	1 401 516
Group Utility Services	Breach of contract: Plaintiff never paid for services rendered.	159 219	159 219
Group Utility Services	Breach of contract: Contribution payment for bulk services. Services inadequately rendered.	952 952	952 952
Group Utility Services	Contribution payment for bulk services. In this matter summons was issued for the payment of bulk services constructions after the City of Tshwane took over the services. Plaintiff alleges that they are entitled to a refund every time a new developer connects to services the Plaintiff installed. Finalised	-	623 491
Group Utility Services	Payment of bulk services contribution. Agreement with erstwhile Kungwini Municipality. Claiming refund.	2 705 431	2 705 431
Group Utility Services	Application for rescission: Applicant wants reversal of decision of Court. Municipality has already made payment to someone else in accordance with court order. Await trial date.	2 081 409	2 081 409
Group Utility Services	Municipality cancelled agreement for security services. Company is suing for repudiation of contract.	4 607 784	4 607 784
Group Utility Services	Contractor who was hired to construct a depot in Soshanguve is being sued by City of Tshwane in arbitration. Contractor brought counter claim	4 314 672	4 314 672
Group Utility Services	Claim for compensation in respect of expropriation. Property owner suing City of Tshwane for high compensation.	951 078	951 078
Group Utility Services	Expropriation which was compensation was not paid	2 044 660	-
Group Utility Services	Claim for payment of services rendered	492 606	-
Group Utility Services	Contractual claim for services rendered	490 200	-
Group Audit and Risk	Claim for compensation for services rendered. Amount was amended	1 128 664	11 286 644
Group Roads and Transport	Motor vehicle accident caused by traffic officer at Poort Primary School. Matter is defended to set aside default judgement. Trial date awaited.	29 238	29 238
Group Roads and Transport	Claim for payment in respect of services to conduct street light poles	14 738 003	-

\* See Note 62

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

		2020	2019 Restated*
<b>58. Contingencies (continued)</b>			
Group Roads and Transport	Damages claim: Construction of road on private property. Negotiations underway to expropriate land.	120 000	120 000
Group Roads and Transport	Personal injuries claim: Vehicle collided with barrier on road. Awaiting trial date	100 000	100 000
Group Roads and Transport	Breach of contract: Construction of roads - work done and contractor never paid. Awaiting court date	25 762 057	25 762 057
Group Roads and Transport	Expropriation of land intended for road construction.	30 390 000	30 390 000
Group Roads and Transport	Breach of contract: Roads and water reticulation services by tenderer who was incompetent and work was completed by another contractor. Original contractor claims full payment. Matter is before court.	690 446	690 446
Group Roads and Transport	Claim for payment in respect of upgrade of roads and storm water in Soshanguve.	4 943 153	4 943 153
Group Roads and Transport	Claim for payment of arrear rental for Infotech building	600 715	-
Group Roads and Transport	Claim for building a culvert as part of road construction	1 412 162	-
Group Roads and Transport	Claim for payment of services rendered in terms of the agreement (Breach)	1 455 362	-
Group Roads and Transport	Claim for service rendered.	42 571	-
Group Environment and Agriculture Management	Breach of Contract In this matter summons was received for payment of services rendered. The matter was defended and we are at present awaiting a trial date.	432 221	432 221
Group Environment and Agriculture Management	Breach of contract: Claim for payment of services rendered.	1 120 885	1 120 885
Group Environment and Agriculture Management	Breach of contract: Work allegedly done which relevant department disputes. Matter is defended.	1 210 877	1 210 877
Group Environment and Agriculture Management	Breach of contract: Claim for rubbish bins for sandblasting and painting as well as storage costs.	2 299 500	2 299 500
Group Environment and Agriculture Management	Unlawful cancellation of contract for household waste removal in Bronkhorstspuit. Claimant's trucks stopped from collecting waste.	6 620 000	-
Group Environment and Agriculture Management	Breach of contract: Claim for payment for services rendered and damages. Contractor alleges breach of contract under tender CB259/2008 by the municipality in utilizing tender CB82/2011 for the same services. The contractor had been contracted under CB257/2008. CB82/2011 was to be used only in emergency situations for the collection of waste. Contractor is also claiming for overtime payments under CB82/2011	46 643 772	-
Group Environment and Agriculture Management	Breach of contract: Refuse removal tender and dispute over its terms. Matter is in court.	200 813	200 813
Group Environment and Agriculture Management	Delivery of refuse bins - contractor never paid. Refuse bins was defective.	158 232	158 232
Group Environment and Agriculture Management	Collision, motor accident damages.	162 589	162 589
Group Environment and Agriculture Management	Claim for damages due to early termination of contract for waste processing. Arbitration	316 000 000	-
Community Safety - Metro Police	Tender for provision of security services at 5 locations in erstwhile Kungwini Municipality. Service provider never paid.	16 720 095	16 720 095
Community Safety - Metro Police	Claim for alleged unlawful eviction constitutional damages for 150 applicants (alleged evictees) at R1500, 00 per person. Applicant claimed they were unlawfully evicted. Matter was opposed defended , property did not belong to CoT	172 500	-

\* See Note 62

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

		2020	2019 Restated*
<b>58. Contingencies (continued)</b>			
Community and Social Development	Breach of contract: Tender for pesticides and insecticides. Work done and never paid for. Payment for damages claimed.	64 994	64 994
Community and Social Development	Construction claim for City Hall Construction Cullinan Library. Claims for escalation, preliminary general costs and loss and expenditure.	23 157 240	23 157 240
Office of the Speaker	Claim for services rendered. Dispute over terms of tender. Contractor did work which department denies receiving. Matter is before court.	2 360 610	2 360 610
Group Property Management	Claim that development agreement was entered into with municipality on certain properties. Municipality allegedly breached agreement.	51 507 439	51 000 000
Group Property Management	Claim for payment of rental. Outstanding rental for the Bothongo Plaza East Building.	16 446 218	16 446 218
Group Property Management	Claim for damages	10 000 000	10 000 000
Group Property Management	Claim for compensation for Redefine for having demolished the Sammy Marks/Munitoria walk-bridge.	172 794	172 794
Group Property Management	Claim for payment of improvement of City of Tshwane property in Waltloo. City of Tshwane sold property on auction. Occupier refuses to vacate without compensation for improvements	4 500 000	-
Group Property Management	Breach of Contract regarding services rendered	690 896	-
Group Property Management	Claim between two parties. CoT sited as work was conducted within its jurisdiction.	137 082	-
Group Legal Services and Secretariat	Claim for recovery of unpaid attorney and client bills of cost	139 868	-
Group Legal Services and Secretariat	Claim for damages following a cancellation of a contract for the upgrade of City Hall. Cot cancelled the contract but contractor alleges that CoT unlawfully cancelled the contract	4 900 000	-
		<b>3 631 921 428</b>	<b>1 654 162 014</b>

### 59. Going concern

We draw attention to the fact that at June 30, 2020, the municipality had a current year deficit of -R2 932 190 362 (2019: R2 627 325 591 surplus) and an accumulated surplus of R26 287 911 120 (2019: R29 345 823 449) and that the municipality's total assets exceed its liabilities by same. The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realization of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors

In performing the going concern assessment, the accounting officer has considered available information about the future, the possible outcomes of events and the changes in conditions affecting the municipality.

The COVID-19 pandemic also had an impact on the City's financial performance due to businesses and households being affected by the restrictions introduced by the COVID-19 regulations issued as part of the National State of Disaster. The impact therefore resulted in lower than expected collections from consumers. Although improvement in collections can be observed subsequent to year end, the effect on collections can be expected into the coming financial year.

Key financial ratios of the City are closely monitored to ensure that the municipality remains able to pay its creditors in the short-term and also able to settle its obligations in the medium to long-term. Based on management assessment of Cash flow projections the municipality is still able to meet its financial demands and remains financially sustainable.

\* See Note 62

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

	2020	2019 Restated*
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### 59. Going concern (continued)

Strict credit control measures and monitoring of the payment levels of debtors are also factors that are being closely managed. The most significant of these are that the accounting officer continues to monitor and manage the expenditure levels and cash flow projections.

#### Liquidity and solvability ratios

Current ratio (current assets vs current liabilities)	0.87: 1	1.11 : 1
Acid ratio (current assets less inventory vs current liabilities)	0.80:1	1.03 : 1
Solvability ratio (total assets vs total liabilities)	1.68:1	1.88 : 1
Gearing ratio (total long-term debt to total revenue less grants) (%)	32.98%	43.08%
Debtors collection rate (%)	80,00	88,00
Cash/cost coverage (months)	0 .01	0. 07
Liquidity ratio (cash and cash equivalents vs current liabilities)	0,07	0,41
Net debtor days	87,00	65,00

The current ratio, acid test and cost coverage ratio shows a decline as compared to the previous financial year. This is partly reflective of the impact of COVID-19, however the municipality has been able to continue with payments to creditors and third party payments in the ordinary course of business. Similarly, the debtors management ratios (net debtors days and debtors collection rate) have declined and indicate lower payment levels. The City's solvency shows a reflects a decrease from the previous year, however the ratio is positive and reflects that the City's is still able to settle its liabilities.

The City has been implementing a Financial Sustainability Plan (FSP) which was approved by council in the 2017/18 financial year. The FSP is a positive tool which aims to assist the City of Tshwane to manage and monitor performance with regards to its financial standing. Subsequent to year end, this plan is being revised to take into account the effects of COVID-19 and its impact on various functions and operations of the City.

#### Credit rating and outlook

An annual rating action by Moody's Investors Service was issued on 1 April 2020 which saw the City's outlook revised from stable to negative, the Baseline Credit Assessment (BCA) was affirmed

and maintained as a rating of ba1 and the long term Global Scale Ratings (GSR) as Ba1.

Per the rating action, the affirmation of City's Ba1 rating by Moody's reflected the improvement made in the liquidity profile as well as the declining debt levels. The cash and cash equivalents balance showed an improvement from 2018 to 2019, while debt levels to operating revenue declined in 2019.

Post the reporting date, 30 June 2020, Moody's downgraded the City's long-term credit rating by one notch from Aa2.za to Aa3.za, leaving the short term rating at the highest rating of P-1.za. The new long-term rating is in the upper echelon of investment grade which means that the City maintains a very strong ability to meet its short and long term debt obligations.

Based on the above analysis, the City of Tshwane is still considered to be a going concern and thus prepares its annual financial statements accordingly.

### 60. Events after the reporting date

2019/2020

Adjusting event

Setting aside of decision to place the City of Tshwane Metropolitan Municipality under Administration

\* See Note 62

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

2020

2019  
Restated\*

### 60. Events after the reporting date (continued)

On the 6th of March 2020, the Gauteng Provincial Executive Council resolved to intervene in terms of section 139(1)(c) of the constitution of the Republic of South Africa in the Tshwane Metropolitan Municipality by dissolving the council. Formal notice of dissolution was sent to the Tshwane Metropolitan Municipality and the Provincial Executive Council appointed a multidisciplinary administration team (announced formally on 23 March 2020). The team assumed the duties of the dissolved Council on the effective date of the dissolution as envisaged in section 139(1) of the Constitution of the Republic of South Africa.

On 27 October 2020, post reporting date of 30 June 2020, the Supreme Court of Appeal (SCA) ruled that the decision to dissolve the City of Tshwane Metropolitan Municipality Council should be set aside pending the outcome of the Constitutional Court case. An amount of R21 069 249 has been provided for in the current year financial statement related to the salaries for Councillors.

Non-adjusting events

Appointment of Executive Mayor

On 30 October 2020, post reporting date, Randall Williams was elected as Executive Mayor for the City of Tshwane Metropolitan Municipality. The appointment comes after the Supreme Court of Appeal (SCA) judgement ruled to set aside the decision from March 2020 to place the City under Administration and dissolve its Council

.Setting aside of decision to place the City of Tshwane Metropolitan Municipality under Administration

On the 6th of March 2020, the Gauteng Provincial Executive Council resolved to intervene in terms of section 139(1)(c) of the constitution of the Republic of South Africa in the Tshwane Metropolitan Municipality by dissolving the council. Formal notice of dissolution was sent to the Tshwane Metropolitan Municipality and the Provincial Executive Council appointed a multidisciplinary administration team (announced formally on 23 March 2020). The team assumed the duties of the dissolved Council on the effective date of the dissolution as envisaged in section 139(1) of the Constitution of the Republic of South Africa.

On 27 October 2020, post reporting date of 30 June 2020, the Supreme Court of Appeal (SCA) ruled that the decision to dissolve the City of Tshwane Metropolitan Municipality Council should be set aside pending the outcome of the Constitutional Court case.

Tshwane Broadband Network

On 26 July 2019 the North Gauteng High Court set aside the Build, Operate and Transfer (BOT) contract for the Tshwane Broadband Network, including the tripartite agreement. The ruling was made with the City of Tshwane's costs, as well as the two Councils', to the three respondents. The court order indicated that tender number GICT 01 2014/15, for the provision of a municipal broadband network project of ARH which decision was communicated on 11 June 2015 in a letter dated 9 June 2015 including any purported amendment of such letter, is declared invalid and set aside.

The decision of the Municipal Court of the Tshwane Metropolitan Municipality, in its entirety to inter alia approve the terms and signoff of the build, operate and transfer agreement ("the BOT agreement") of the Tshwane Broadband Network of the City of Tshwane taken on 28 April 2016 was declared invalid and set aside. Furthermore, the decision to amend Clause 4.1 of the BOT agreement which was subsequently entered into between the City of

Tshwane and Thobela on 25 May 2016, the effect of which was to extend the period provided for the fulfillment of the suspensive conditions alternatively, their purported waiver of such conditions was declared unlawful and set aside.

On 24 August 2020, the Supreme Court of Appeal heard the case for appeal against the setting aside of the BOT contract. Judgement was handed down on 5 October 2020 where the appeal was upheld with costs for the two counsel. Furthermore, the order of the court was set aside and replaced with "the application is dismissed with cost including those of two counsel".

Resignation of Acting City Manager

On the 6th of March 2020, the Gauteng Provincial Executive Council resolved to intervene in terms of section 139(1)(c) of the constitution of the Republic of South Africa in the Tshwane Metropolitan Municipality by dissolving the council. Formal notice of dissolution was sent to the Tshwane Metropolitan Municipality and the Provincial Executive Council formally announced a team of administrators on 23 March 2020 with Mr. Mpho Nawa as Lead Administrator and Mr. Mavela Dlamini as the acting City Manager. The City Manager is the head of the administration as well as the accounting officer as defined by Section 15 of the Municipal Systems Amendment Act 2011 (Act 7 of 2011).

\* See Note 62



# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

2020

2019  
Restated\*

### 60. Events after the reporting date (continued)

On the 6 July 2020 Mr. Mavela Dlamini resigned both as a member of the City of Tshwane administration team and the acting City Manager. Ms. Mmaseabata Mutlaneng has been duly appointed as the acting City Manager.

Contestation of the 2020/21 budget and valuation roll

In August 2020, two court applications were made regarding the City's 2020/21 Budget as approved by Administrators:

Afriforum NPC

On 24 August 2020, Afriforum NPC brought an urgent application to the high court whereby the legality of the approval of the 2020/21 budget by the Administrators is being contested.

Tshwane Money Matters Caucus and Alas! Tshwane

On 21 August 2020, Tshwane Money Matters Caucus and Alas! Tshwane brought an application to the High Court containing the following matters:

That the 2020 general valuation roll as approved be declared invalid and/or reviewed and set aside as being of no force or effect ab initio.

That an interdict be granted to prohibit the City to charge and invoice property owners for property rates, and that accounts invoiced as from 1 July 2020 be reversed until a valid budget has been adopted.

The matters are ongoing, and no judgement has been issued yet.

Credit rating

Due to the impact on the City's financial position caused by the COVID-19 pandemic and resultant lockdown, Moody's downgraded the City's long-term credit rating in September 2020 by one notch from Aa2.za to Aa3.za. The short-term rating is still at the highest rating of P-1.za. The new long-term rating of Aa3.za is still in the upper echelon of investment grade which means that the City demonstrates strong credit worthiness and maintains a strong ability to meet its short- and long-term debt obligations.

Labour unrest

The City of Tshwane experienced widespread labour unrest from Tuesday, 21 July 2020 and for the week after. Some city assets were damaged in the process and services were interrupted as employees were not satisfied with the outcome of discussions between organized labour and the employer on the collective agreement of the benchmarked salaries.

The total estimated damages sustained by the City totals R448 724.66 predominantly on water meters in the inner city for R153 215 and R231 532 on intersection controllers, poles, panels, signal heads and power

The following revenue streams were impacted since the start of the protest: water meter connections to the value of R328 255, Rietvlei nature reserve: Entrance fees to the estimated value of R120 000. Transport services were more severely impacted with an estimated loss of revenue of R1 447 370 Tshwane Bus services, R2 708 753 for licensing services and R79 978 for Areyeng Fares.

During this period, the city suspended all bus and waste removal services to protect city assets. These vehicles were not allowed to leave the depots. Additional TMPD members were also deployed in order to safeguard assets.

\* See Note 62

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

2020

2019  
Restated\*

### 60. Events after the reporting date (continued)

#### Benchmarking

On 01 August 2020, the City of Tshwane Metropolitan Municipality and The Independent Municipal and Allied Trade Union (IMATU) and The South African Municipal Workers union (SAMWU) signed an addendum to the settlement and collective agreement on the implementation of the basic salary structure benchmark report of the 18th November 2019.

The employer stated due to the change in financial position of the City following the lockdown period and COVID-19 pandemic but agreed that the money was payable based on the collective agreement.

A special meeting of the ADMINISTRATOR was held on 7 August 2020 where it was resolved that the collective agreement on benchmarking and the outstanding amount be implemented in two phases due to the financial challenges experienced by the City as outlined below:

Approval be granted to pay benchmarking for 2017/18 financial year on the 26 August 2020; and;

Approval be granted to pay the benchmarking for the 2018/19 financial year on the 26 February 2021 on condition that:

The city achieves a collection rate of at least 95% for the 6 months period to December 2020 as would be recorded and assessed in the mid-year assessment report.; and

ii. Should the city not achieve a 95% collection level as outlined above, that the employer and labour reopen discussions on how to implement the balance of the benchmarking;

#### Re-acquisition of the Tshwane Showgrounds

On 24 June 2020 a court order was issued containing a settlement agreement between the City of Tshwane and the Tshwane Business and Agricultural Corporation NPC (registered owner of the Tshwane Showgrounds). The settlement agreement was subject to approval of the Business Rescue Plan for the Tshwane Business and Agricultural Corporation NPC.

Post the reporting date (30 June 2020), the Business Rescue Plan was approved which gave effect to the settlement agreement. In terms of this settlement agreement, the City of Tshwane would pay an amount of R5.8 million to reacquire the showgrounds, take over all existing lease agreements and/or outstanding event contracts of Tshwane Business and Agricultural Corporation NPC. Furthermore upon transfer of the properties to its name, the City's claims (as creditor) against the Tshwane Business and Agricultural Corporation NPC would be deemed to be waived. The claims are estimated at R12.2 million, which will need to be written off with approval from Council.

#### Adjusting events

##### Irregular expenditure (Note 52):

In terms of the Administrator Resolution dated August 2020 an amount of R104 743 943 was written-off after investigations were concluded in terms of section 32 of the MFMA.

In terms of the Administrator Resolution dated October 2020 an amount of R339 582 028.04 was recommended to be recoverable after investigations were concluded in terms of section 32 of the MFMA

##### Fruitless and wasteful expenditure (Note 51):

In terms of the Administrator Resolution dated October 2020 an amount of R42 690 068 was recommended to be recoverable after investigations were concluded in terms of section 32 of the MFMA

### 61. Related parties

Name of entity  
Joint ventures: SEZ  
Housing Company Tshwane  
Tshwane Economic Development Agency

% Equity interest  
33.3% shareholding  
100 % owned by City of Tshwane  
100 % owned by City of Tshwane

Members of key management

Refer to Note 34 for remuneration of City Manager  
Refer to Note 36 for remuneration of Top Management  
Refer to Note 34 and 35 for remuneration of Councillors

\* See Note 62

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

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2020

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Restated\*

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### 61. Related parties (continued)

\* See Note 62

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

2020

2019  
Restated\*

### 61. Related parties (continued)

#### TEDA:

TEDA benefited from the use of the following services provided by CoT at no cost:

??Internal audit and risk management resources

??Audit Committee resources

??Network and Telecommunication support

??SAP migration

??Desktop and Server support

??Insurance management

??OHS services

??Records management

??QPR performance management system

#### Housing Company Tshwane:

**The entity benefited from the following services provided by related party at no cost:**

Use of risk management and internal audit resources from City of Tshwane

Use of audit committee resources from City of Tshwane

Use of network, telecommunication and server support provided by City of Tshwane

Occupational Health and Safety services from City of Tshwane

Insurance management by City of Tshwane

Telephone service provided by City of Tshwane

MSCOA implementation by City of Tshwane

QPR - Performance Management Solution

Use of office space

Use of two motor vehicles for maintenance

The entity received the rights to develop land owned by the City of Tshwane at no cost

Use the service of the VAT specialist at no cost

**The entity benefited from the following services provided by related party at costs**

The Director of Human Settlement has been seconded to HCT as the Acting COO from September 2017 until the labour matter with the former incumbent is concluded and the COO post is filled.

Litigation on Townlands represented by Geldenhuis Malatji.

\* See Note 62

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

	2020	2019 Restated*
<b>61. Related parties (continued)</b>		
<b>Related party balances</b>		
<b>Amounts included in trade payables regarding related parties</b>		
Housing Company Tshwane: Rental received on behalf of City of Tshwane	197 460	197 212
Housing Company Tshwane: Service charges owed by City of Tshwane	-	8 057
Housing Company Tshwane: Deposit owed by City of Tshwane	(23 400)	(23 400)
Housing Company Tshwane: Unspent conditional grant	-	(5 777 333)
Housing Company Tshwane: Grant owed by City of Tshwane	-	-
<b>Related party transactions</b>		
<b>Sales to related parties</b>		
Housing Company Tshwane: Rates	398 407	375 851
Housing Company Tshwane: Water and electricity	306 094	320 315
Housing Company Tshwane: Grant recognised as income	-	-
TEDA:	-	18 682
<b>Purchases from related parties</b>		
TEDA: Bus chartered services	-	14 482
TEDA: Medical surveillance (OHS)	-	4 200
TEDA: Adminsitratration fees paid to/(received from) related parties	(4 605 824)	(151 820)
<b>Grants to related parties</b>		
Housing Company Tshwane: Grant recognised as income	(119 383 365)	(107 003 299)
TEDA grant	(67 399 000)	(54 150 000)
<b>62. Prior period restatements</b>		
<b>Change in accounting policy</b>		
No change in accounting policy occurred during the period under review..		
<b>Reclassification</b>		
Reclassifications were done on various line items on the statement of financial performance to align the items to mSCOA classifications:		
<b>Correction of errors</b>		
The following material restatements are discussed below:		

\* See Note 62

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

	2020	2019 Restated*	
<b>62. Prior period restatements (continued)</b>			
<b>Statement of Financial Performance</b>			
<b>Revenue:</b>			
	As previously reported	Reclassi- fication	
		Correction of errors	
		Restated	
<b>2019</b>			
Service charges	18 615 648 484	1 (6 390 090)	18 609 258 395
Rental of facilities and equipment	142 756 418	- (1 989 558)	140 766 860
Interest received outstanding consumer debtors	860 736 503	- -	860 736 503
Licences and permits	46 618 296	- -	46 618 296
Other income	689 888 988	- 47 152 694	737 041 682
Investment revenue	391 948 285	- -	391 948 285
Gain on foreign exchange	361 654	- -	361 654
Gain on redemption fund investment	110 492 276	- -	110 492 276
Property rates	7 116 482 763	- -	7 116 482 763
Government grants, subsidies, awards and donations	6 514 814 403	- -	6 514 814 403
Public contributions and donations	151 700 328	- -	151 700 328
Fines, penalties and forfeits	314 688 657	- -	314 688 657
<b>Total Revenue</b>	<b>34 956 137 055</b>	<b>1 38 773 046</b>	<b>34 994 910 102</b>
<b>Expenditure:</b>			
Employee related cost	(9 045 797 030)	- (4 986 923)	(9 050 783 953)
Remuneration of Councilors	(126 684 958)	- -	(126 684 958)
Depreciation and amortisation	(1 906 772 928)	- (175 749 677)	(2 082 522 605)
Impairment of assets	(212 691 197)	- -	(212 691 197)
Finance cost	(1 501 280 227)	- 3 428 492	(1 497 851 735)
Debt impairment	(1 803 186 397)	- -	(1 803 186 397)
Other materials	(554 837 286)	- (52 111)	(554 889 397)
Bulk purchases	(10 777 375 305)	- -	(10 777 375 305)
Contracted services	(3 225 232 368)	- (65 428 239)	(3 290 660 607)
Transfers and subsidies	(137 168 303)	- -	(137 168 303)
Loss on disposal of assets and liabilities	(40 543 533)	- (26 323 691)	(66 867 224)
Fair value adjustments	(197 395 260)	- -	(197 395 260)
General expenses	(2 561 177 837)	- (15 397 362)	(2 576 575 199)
<b>Total expenditure</b>	<b>(32 090 142 629)</b>	<b>- (284 509 511)</b>	<b>(32 374 652 140)</b>
<b>Surplus for the year</b>	<b>2 865 994 426</b>	<b>1 323 282 557</b>	<b>67 369 562 242</b>

\* See Note 62

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

	2020		2019	
			Restated*	
<hr/>				
62. Prior period restatements (continued)				
	As previously reported	Reclassi- fication	Correction of errors	Restated
2019				
<b>Statement of Financial Position</b>				
<b>Current assets</b>				
Inventories	718 880 669	-	-	718 880 669
Consumer receivables from exchange transactions	3 885 876 553	-	-	3 885 876 553
Consumer receivables from non-exchange transactions	980 798 075	-	-	980 798 075
Other receivables from exchange transactions	940 954 280	-	(8 236 324)	932 717 956
Other receivables from non-exchange transactions	332 006 234	-	-	332 006 234
Long-term-receivables: short-term portion	111 175 936	-	-	111 175 936
Redemption fund asset	888 647 222	-	-	888 647 222
Investments	3 619 286 445	-	-	3 619 286 445
Cash and bank	264 614 430	-	(6 210 272)	258 404 158
	<hr/> 11 742 239 844	-	-	<hr/> 11 742 239 844
<b>Non-current assets</b>				
Long-term receivables: long-term portion	43 911 767	-	-	43 911 767
Redemption fund	284 066 583	-	-	284 066 583
Property, plant and equipment	37 988 113 151	94 672 459	39 371 533 745	39 371 533 745
Investment property	990 894 956	(39 951 716)	117 720 851	1 068 664 091
Intangible assets	382 354 282	(54 720 743)	370 872 035	698 505 574
Heritage assets	3 370 846 811	-	1 264 259	3 372 111 070
Leased assets	318 046 660	-	14 651 603	332 698 263
	<hr/> 43 378 234 210	-	-	<hr/> 43 378 234 210
Total Assets	<hr/> 55 120 474 054	-	-	<hr/> 55 120 474 054
<b>Current liabilities</b>				
Payables from exchange transactions	7 127 975 348	-	148 906 625	7 276 881 973
VAT payable	2 469 092 943	-	(23 191 324)	2 445 901 619
Consumer deposits	558 775 598	-	-	558 775 598
Unspent grants and receipts	296 901 711	-	-	296 901 711
Loans and bonds	906 627 762	-	-	906 627 762
Finance lease obligation	318 046 660	-	-	318 046 660
Employee benefit obligation	163 162 670	-	-	163 162 670
Service concession arrangements	242 016 667	-	-	242 016 667
	<hr/> 12 082 599 359	-	-	<hr/> 12 082 599 359
<b>Non-current liabilities</b>				
Interest rate swap liability	219 999 785	-	-	219 999 785
Loans and bonds	10 663 063 566	-	-	10 663 063 566
Lease liabilities	522 158 369	-	(14 651 603)	507 506 766
Employee benefit obligation	1 672 265 229	-	-	1 672 265 229
Provisions	1 007 468 013	-	-	1 007 468 013
Service concession arrangements	1 771 777 923	-	(62 996 292)	1 708 781 631
	<hr/> 15 856 732 885	-	-	<hr/> 15 856 732 885
Total Liabilities	<hr/> 27 939 332 244	-	-	<hr/> 27 939 332 244
<b>Equity</b>				
Accumulated surplus	27 637 049 180	(1 701 903 267)	-	25 935 145 913

\* See Note 62

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

	2020	2019 Restated*		
<b>62. Prior period restatements (continued)</b>				
	As previously reported	Reclassi- fication	Correction of errors	Restated
<b>2019</b>				
<b>Cash flow statement</b>				
<b>Cash generated from operations</b>				
Receipts	-	-	-	-
Cash receipts from other revenue sources	143 655 500	-	-	143 655 500
Cash receipts from ratepayers and service charges	25 368 849 009	-	-	25 368 849 009
Grants: Operational	4 269 322 608	-	-	4 269 322 608
Grants: Capital	2 089 119 435	-	-	2 089 119 435
Interest income	384 814 011	-	-	384 814 011
	<u>32 255 760 563</u>	-	-	<u>32 255 760 563</u>
Payments	-	-	-	-
Cash paid to employees	(9 001 026 710)	-	-	(9 001 026 710)
Cash paid to suppliers	(16 884 411 132)	-	-	(16 884 411 132)
Finance costs (interest paid)	(1 538 339 648)	-	-	(1 538 339 648)
Transfers and grants	(137 168 303)	-	-	(137 168 303)
	<u>(27 560 945 793)</u>	-	-	<u>(27 560 945 793)</u>
<b>Net cash generated from operations</b>	<b>4 694 814 770</b>	-	-	<b>9 389 629 540</b>
<b>Cash flow from investing activities</b>				
Purchase of property, plant & equipment	(3 408 560 893)	-	-	(3 408 560 893)
Proceeds on disposal of assets	34 223 619	-	-	34 223 619
Purchase of other intangible assets	(5 759 597)	-	-	(5 759 597)
Movement in long-term receivables	18 723 201	-	-	18 723 201
Movement in financial assets	(331 816 403)	-	-	(331 816 403)
Capital contribution to redemption fund	(467 570 833)	-	-	(467 570 833)
<b>Net cash from investing activities</b>	<b>(4 160 760 906)</b>	-	-	<b>(4 160 760 906)</b>
<b>Cash flow from financing activities</b>				
Proceeds from loans and bonds	1 500 000 000	-	-	1 500 000 000
Repayment of loans and bonds	(746 880 320)	-	-	(746 880 320)
Repayment of service concession arrangements	(221 326 797)	-	-	(221 326 797)
Movement in redemption fund	(29 689 647)	-	-	(29 689 647)
Finance lease repayments	(322 863 793)	-	-	(322 863 793)
<b>Net cash from financing activities</b>	<b>179 239 443</b>	-	-	<b>179 239 443</b>
<b>Net cash flow</b>				
Net increase/(decrease) in cash and cash equivalents	713 293 307	-	-	713 293 307
Cash and cash equivalents at the beginning of the year	2 312 445 595	-	(6 210 270)	2 306 235 325
<b>Cash and cash equivalents at the end of the year</b>	<b>3 025 738 902</b>	-	<b>(6 210 270)</b>	<b>3 019 528 632</b>

Reasons for restatements for statements of financial performance

Revenue

Service charges

Service charges increased due to correction of solid waste removal journal incorrectly captured by the in the previous financial year.

Rental facilities

\* See Note 62



# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

	2020	2019 Restated*
Correction of the calculations of the straight lining of rental income pertaining to Wonderboom Airport, the Market and other City properties.		
Other income		
Recognition of other income due to savings realised as a result of the VAT audit, these savings relating to expenses where Input VAT was not claimed.		
Expenses:		
Employee related costs		
Employee costs increased as a results of restatements of overtime, acting allowance and other costs paid in the 2019/20 financial year relating to expenditure incurred in previous periods.		
Depreciation and amortisation		
Depreciation increased due to increase in PPE due to the purification project embarked on by the city to ensure that the fixed asset register is fully GRAP compliant. Furthermore, the increase is also attributable to the net impact of AUC capitalisation that had to be restated to prior year's amounts.		
Contracted services		
Increase in contracted services is due to payment of contract price adjustments relating to previous financial year(s).		
Loss on disposal of assets and liabilities		
Loss on disposal of assets and liabilities changed due to corrections made in calculations of the previous year.		
General expenses		
General expenses increased due to various expense due to invoices submitted after cut-off dates.		
Reasons for restatements for statements of financial position		
Assets		
Other receivables form non-exchange transactions		
Other receivables from non-exchange increased due the VAT calculation resulting from the Land Swap Agreement - Hammanskraal BPO only processed in 2019/20.		
Other receivables form exchange transactions		
Increase in receivables from exchange due correction of the calculations of the straight lining of rental income pertaining to Wonderboom Airport, the market and other City properties.		

\* See Note 62

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

	2020	2019 Restated*
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### Property, plant and equipment

Property, plant and equipment increased with an amount of R2 082 607 577 due to the purification project embarked on by the city to ensure that the fixed asset register is fully GRAP compliant. There was also an amount of R439 432 446 expensed from assets under construction, since this amount was for payment of operational expenditure and not capital in nature. The decrease of R84 200 980 relate to a correction on the WIFI project which was incorrectly capitalised in previous years. In the 2018/2019 year the Denneboom Service Concession was also overstated due to estimates made based on AGSA audit finding.

### Investment properties

Investment properties increased with an amount due to purification of the fixed asset register.

### Leased assets

An incorrect lease term was used to calculate the present value of the lease liability. Changes on the lease terms used previously as shared services only provided this information in the current year hence the restatement.

### Intangible assets

Intangible assets were increased mainly due to two reasons, namely newly identified servitudes that were brought onto the asset register and the capitalisation of assets acquired to the correct accounting period.

### Lease liabilities

An incorrect lease term was used to calculate the present value of the lease liability. Changes on the lease terms used previously as shared services only provided this information in the current year hence the restatement.

### Payables from exchange transactions

Trade payables were increased due to the correction of the accrual of expenditure due to the late receipt of invoices as well as the restatement of the accumulated leave accrual.

### VAT payable

Vat payable decreased as a result for VAT audit and VAT calculation resulting from the Land Swap Agreement - Hammanskraal BPO only processed in 2019/20.

\* See Note 62

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

2020

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### 63. In-kind donations and assistance

#### COVID-19 gifts and donations, including goods in-kind

The city received the following COVID 19 gift, donations including services in kind from various institutions .

Most of the items received were consumables items and have therefore been utilised or distributed .The register of this donations is available for inspection.

Description	Amount
Food parcels	147 362,53
consumables (hand sanitises, disinfectors, empty bottles, hand towels, sim cards and toiletries)	930 008,4
network booster	1 000 000
Jojo tanks	21 530
PPE (Gloves, face masks, worksuits, chemical tanks and packer spray machines	177 990,4
cleaning services	51 045
blankets	37 384,24
shelter for the homeless	455 000
Personnel (volunteers)	Value not determined
Provision of essential services of and disinfecting education hygiene support	Value not determined

The Municipality made the following in-kind- donations and assistance during the 2019/20 financial year:

The Emergency Services Department provided the following assistance to various organisation

Description	Amount
Ambulance standby services	932 960
*Relief items	404 128
Fire and rescue services	57 163

\*Relief items consist of Blankets, Mattresses, food parcel, plastic sheeting, tents and other various items

### 64. Operating leases

#### Non-cancelable operating leases - Office equipment:

The City is leasing office equipment for a period of 3 years from various service providers as per the National Treasury Transversal contract - RT3-2015.

The City of Tshwane , may at its sole discretion extend this Agreement for a maximum period of 24 (twenty four) months on the same terms and conditions, except for the rental which shall be reduced by 75% (seventy five percent) of the rental specified therein.

Operating lease payment	11 347 096	10 961 299
<b>Reconciliation - Machinery</b>		
Payable within a year	7 301 328	11 101 904
Payable within 2 to 5 years	1 071 451	6 816 216
	<b>8 372 779</b>	<b>17 918 120</b>

### 65. Change in estimate

#### Property, plant and equipment

\* See Note 62

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

	2020	2019 Restated*
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### 65. Change in estimate (continued)

The useful lives and residual value of all asset classes was reviewed and adjusted during 2019/20 to more accurately reflect the period of economic benefits or service potential derived from these assets. Refer to note 10 under property, plant and equipment for a discussion on the basis on which the review of useful lives was done. Residual values of all asset classes after review was changed to zero due to the fact that the City uses its assets for its entire economic life.

The effect of changing the remaining useful lives during 2019/20 has decreased the depreciation charge for the current and future periods. The total number of assets affected was 1 421 532.

#### Effect of change in estimates

All asset classes	(100 851 358)	(48 954 900)
-------------------	---------------	--------------

### 66. Distribution losses: Water

#### Non-revenue Water (NRW) - kilolitre

Technical	87 312 903	89 944 459
Non-technical	21 828 226	22 486 115
	<b>109 141 129</b>	<b>112 430 574</b>

#### Non-revenue Water (NRW) - Rand value

Technical	791 107 287	841 145 895
Non-technical	197 776 822	210 286 474
	<b>988 884 109</b>	<b>1 051 432 369</b>

Water is supplied to the City of Tshwane from Rand Water, Magalies Water and from the City's own water sources. Monthly meter readings of the supply are used to monitor the total gross supply and monthly meter readings of water exported to the neighboring municipalities are used to calculate the net water input into the City.

Water loss management in the city is monitored, managed and controlled by the implementation of the Water Conservation and Water Demand Management strategies. The primary outcome of these strategies is to reduce

\* Technical losses (where not all water supplied reached the consumer, and

Non-technical losses (where not all water reaching the consumer is paid for. These losses are caused by:

- Real losses (physical loss of water from the system, and
- Apparent losses (losses due to meter inaccuracies, meter estimations, non-metering of water and unauthorised consumption - this is water consumed not properly measured, accounted and paid for.

From the above, water losses in the City is determined by calculating the amount of non-revenue water (NRW) which is the difference between the volume of water supplied into the system and the authorised consumption.

Activities undertaken by the Water and Sanitation Division involve the continuous investigation into various factors leading to water loss

and the implementation of various initiatives to assist with the reduction of non-revenue water. These investigations with subsequent mini projects are often cross-region initiatives where work performed in one region directly affects other regions. The initiatives include the following:-

- \* Improve on leak repair responsiveness (active and passive) to reduce wastage
- \* Metering: Installation of water meters at unmetered houses, Meter audits to improve information on billing system; Replacements of old and/or damaged meters to increase accuracy of meter readings
- \* Installation of pressure management systems to reduce high pressures and lower leakage
- \* Pipe network replacements in areas with worn out network pipes
- \* Removal of illegal connections
- \* Restriction of water supply to non-paying customers

The NRW in the city was calculated at 30.2 (% of the total input into the system) 109 141 129 kl/annum). This indicates a deterioration of

NRW in the City when compared to June 2019 where the NRW was 112 430 574 kl/annum (29.81% of the total input into the system). The losses in R-value amounts to R 988 884 109 (June 2019 R1 051 432 369). This calculation was based on the unit tariff of Rand Water purchased per kiloliter at R10.14 and R9.351 837 for 2018/19. Approximately 79% of the city's system input volume is sourced from Rand Water (RW). The remaining 21% is sourced from own and local sources at approximately 50% of the cost of water provided by RW.

\* See Note 62

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

	2020	2019 Restated*
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### 66. Distribution losses: Water (continued)

The NRW in the city was calculated at 29.81 (% of the total input into the system) 112 430 574 kl/annum). This indicates a deterioration of NRW in the city when compared to June 2018 where the NRW was 88 703 199 kl (27.89% of the total input into the system). The losses in R-value amounts to R1 051 432 369 (2018 = R739 338 529). The calculation was based on the unit tariff of Rand Water purchased per kiloliter at R 9.351 837 for 2018/19 and R 8.334 970 for 2017/18.

### 67. Distribution losses: Electricity

#### Distribution loss: kWh

Technical	655 819 624	676 260 492
Non-technical	1 193 588 161	1 089 745 478
Streetlights and internal use	240 691 696	241 662 668
	<b>2 090 099 481</b>	<b>2 007 668 638</b>

#### Distribution loss - Rand value

Technical	611 748 546	557 877 100
Non-technical	1 113 379 037	898 979 098
Streetlights and internal use	224 517 214	199 358 191
	<b>1 949 644 797</b>	<b>1 656 214 389</b>

#### 2019/20:

The annual electricity distribution losses are made up of internal use (Streetlights and own use), technical and non-technical losses which are the difference between electricity purchased and electricity sold to the end user at differentiated tariffs levels. The City purchases its 100% electricity from ESKOM at transmission and distribution levels, 85% is purchased through the 3 infeed stations (Njala, Kwagga and Reitvel) at 175kV transmission levels and 15% at distribution levels..

For the period under review, the department implemented the following initiatives to reduce the non-technical losses:

\*Remove of illegal connections

\*Meter audits and normalize of stuck meters

\*Normalization of prepaid meters that are on low buying electricity

\*Installation of tamper boxes in hot spots with high level of illegal connections

\*Electrification for all programmes

Initiatives to reduce technical losses include:

\*Refurbishing and replacing old equipment in the network

\*Strengthening over-headlines

The electricity distribution loss is calculated at 20 090 099 481 kWh (22.31 % of the total electricity bulk purchases).

Technical losses are results of electricity losses while being distributed from the source of generation through transmission and distribution network to the final consumer. The wires (copper or aluminum) being used to distribute electricity has certain resistance which resist the throughput of current, as a results there is certain portion of electricity that is lost due to distribution and it is termed technical losses. The NERSA acceptable figure for network like Tshwane is estimated to be 7% (655 819 624 KWh), accounting for 31% (611 748 546 ZAR) of the total Distribution losses. However, the national utilities benchmark is for the technical Losses to be between 3-6%.

Non-technical losses, which for the period under review is 12.74% (1 193 588 161 kWh), accounting for 57% of the total distribution losses (1 113 379 037 ZAR) are amongst others the result of administrative and technical errors, high estimates, negligence, theft of electricity, tampering with meters and connections which form part of illegal consumption.

Non-Revenue Losses (Streetlights and Internal Use) accounted for 2.57% (240 691 696 kWh) of the total losses and accounting for 12% (224 517 214 ZAR) of the total distribution losses.

Streetlights and internal Use) has been reclassified as non-revenue to ensure that the total distribution losses is accurately presented. In the prior year the streetlights and internal use were presented as revenue loss and not as electricity losses.

2018/19:

\* See Note 62

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

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Restated\*

### 67. Distribution losses: Electricity (continued)

The electricity distribution loss for the 2018/19 financial year is calculated at 1 766 005 970 kWh (18.28 % of the total electricity bulk purchases) The annual electricity distribution losses are made up of technical and non-technical losses which are the difference between electricity purchased and electricity sold.

### 68. Budget differences

#### Material differences between budget and actual amounts

It is general practice to deem a 10% deviation on operational revenue and expenditure versus the final budget as material and for capital expenditure the percentage deviation is 5%.

2019/20 Financial year :

#### Revenue :

##### Service Charges category: (11% under)

- Under recovery on electricity mainly results from the challenges experienced regarding the replacement of smart meters and due to low consumption during lockdown.
- Under recovery on water is mainly on water fees and connection fees, revenue was less than projected. The budget for water is based on statistical trends and is driven by demand.

Investment revenue category : (20 % over)

The variance between the budgeted and the actual figure was caused by the interest received mainly on the redemption fund investments vehicles.

The City received slightly more interest on interest rate swaps because when the interest rate declined in the market, the city received higher interest on swaps than what is expected.

The interest received on Bonds and FFO security was not affected by the current economic conditions because they are on fixed rate.

The City made contribution of 310 million to the redemption fund during the previous financial year which also contributed to higher return on investments in the redemption fund

own revenue category: (10 % under)

- Rental of Facilities and Equipment unfavourable is due Rental Stands due to the expiry of lease agreements and illegal occupation.
- Interest Earned on Outstanding Debtors unfavourable: Revenue was less than projected due to the suspension of interest charges on Residential and Business debtors.
- Fines and Penalties unfavourable: Mainly on AARTO revenue. The revenue depends mainly on motorists infringing the traffic laws and due to the lockdown there were fewer cars on the roads. Furthermore, Tshwane Metro Police Department members monitored compliance with the COVID-19 regulations jointly with other security cluster members (SAPS and SANDF).
- Licenses and Permits : Revenue not collected due non-operations of licensing centres during lockdown. The operations resumed in June 2020.

#### Expenditure

##### Contracted Services category:

Mainly on the following line items:

- 
- Project-linked Housing : Underspending on projects funded by the Human Settlement Development Grant. The grant will not be spent in full due to delays in supply chain management processes and the signing of service delivery agreements with the Gauteng provincial government. Contractors have been appointed, a roll over will be requested.

\* See Note 62

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

	2020	2019 Restated*
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### 68. Budget differences (continued)

- Consultant: Civil Engineering : The service-level agreement for the Management Information Systems Project was approved in January 2020.
- Buildings : Due to a delay in the appointment of service providers.
- The project were not resumed as planned due to the delay signing the Service Level Agreement (SLA).

Remuneration of councillors ( 26% under)

Non payment to Councillors due to the placement of the city under administration.

Debt impairment

Increase in debtors impairment is due to increase in debtors book

Loss on disposal of PPE

Overspending mainly on scrapping of Assets.

Fair value adjustment

Valuation in interest rate swaops not budgeted for.

#### Capital expenditure:

The capital expenditure shows a 81.% spending level against the total budget for the financial as various capital projects were affected by the lockdown.

#### The special adjustment budget

The special adjustment budget was approved by Administrator on 15 June 2020.

In terms of the annexure to MFMA Circular No.99, a special adjustments budget dealing with all COVID-19 related expenditure must be approved by 15 June 2020.

The administration team at its meeting of 7 May 2020 approved a report of the reprioritisation of the budget in response to COVID-19.

The Council approved the 2019/20 Original Revenue Budget to the amount of R35 465 848 437 which was increased with R228 800 815 to R35 694 649 252 (increase of 0.64 %). Furthermore, the total expenditure of R35 446 239 018 was increased with an amount of R228 800 815 to R35 675 039 834(increase of 0.64%). As a result the budgeted surplus (before capital transfers) amounts to R19 609 419.

The original capital budget was approved for an amount of R4 248 464 401. During the special adjustment budget process the capital budget decreased with an amount of R 514,7 million and the final capital budget for 2019/20 amounts to R3 733 767 614 due to a reprioritisation of USDG and PTIS grants.Additional text

\* See Note 62

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

2020

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Restated\*

### 69. Transitional provisions

#### Transitional provision for statutory receivables – GRAP 108

##### General information

The entity took advantage of the transitional provision as per Directive 13 of the GRAP Reporting Framework.

The municipality has taken advantage of the transitional- provision for the reporting year ended 30 June 2020. Therefore the municipality has not changed the accounting policies in respect of the classification and measurement all receivables within the ambit of statutory receivable.

The municipality has identified the following receivables which fall within the scope of GRAP.

- Property rates receivables – receivables from exchange transactions
- Aarto debtors – receivables from non-exchange
- Recovery of unauthorised, irregular, fruitless and wasteful expenditure Progress made The nature and amount of adjustments recognised in the statement of changes in net assets during the period, are as follow [State nature and amount]

The municipality intends to comply with GRAP 108 in the next reporting period (30 June 2021). Position paper detailing the GRAP 108 requirements and process to be followed to ensure compliance with GRAP 108 will be developed. From the position paper, an accounting policy will also be developed.

### 70. Accounting by principals and agents

The entity is a party to a principal-agent arrangement(s).

#### Details of the arrangement are as follows:

Gauteng Department of roads and transport

The agreement requires the city to perform all the registering and testing function on behalf of the department which consist of motor vehicle registration and licensing . driving licence test centre functions and vehicle test station functions . The city is an agent to the agreement as they are only entitled to commission amount and deposits all the net amount received for services rendered to the provincial department. The City's failure to deposit amount collected to the province for a period of two months results to strict requirement of depositing daily to the department

#### CoT as agent and GDRT as a principal

##### Revenue recognised

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal is 163 123 599 (2019: 194 555 278).

#### Resources (including assets and liabilities) of the entity under the custodianship of the agent

The resources have been recognised/have not been recognised by the agent in its financial statements. [Choose as appropriate]

The remittance of resources during the period [State details].

The expected timing of remittance of remaining resources by the agent to the entity, are [State timing and details].

The expected timing of remittance of remaining resources by the agent to third parties, are [State timing and details].

Resource or cost implications for the entity if the principal-agent arrangement is terminated, are [State information/discussion].

\* See Note 62



# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

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### 70. Accounting by principals and agents (continued)

[Provide additional info as appropriate]

#### Fee paid

#### Resource and/or cost implications for the entity if the principal-agent arrangement is terminated

The resource and/or cost implications for the entity if the principal-agent arrangement is terminated, are [State information/discussion].

[Provide additional info as appropriate]

### 71. Public Private Partnerships (PPP)

#### Tshwane House:

The City of Tshwane has entered into a PPP agreement with Tsela Tshweu (the Consortium), a private Consortium led by Group 5, to finance, construct and operate the Tshwane Head Office. The agreement is for a period of 27 years of which 2 years was for the construction of the property and 25 years to operate the property on behalf of City of Tshwane. At the end of the 27 year agreement ownership of the building will pass to the City of Tshwane. The agreement is in the third year of the operational stage. Occupation took place in June 2017.

#### Fleet vehicles and fleet related services:

The City of Tshwane has entered into a PPP agreement with:

- \* Moipone Group of Companies (Pty) Ltd for the supply of category A and C fleet vehicles and fleet related services;
- \* Fleet Africa a division of Super Group Africa (Pty) Ltd for the supply of category E fleet vehicles and fleet related services; and
- \* Fleetmatics VMS (Pty) Ltd for the supply of category B fleet vehicles and fleet related services

The agreement is for a period of 5 years from the commencement date where after it will automatically terminate. The City may extend the agreement on written notice which shall be given at least 90 days prior to expiry of the termination date.

During the life of the agreement the City will make unitary payments to the private party in accordance with the provisions of the payment mechanism. The unitary payments will be the amount payable with respect to the leased vehicles, monthly in arrears.

The city has restructured the finance lease for some vehicles leased from Talis and Supergroup. The restructuring will result in the City retaining ownership of the vehicles at the end of the lease term.

#### Denneboom Service concession

The City of Tshwane Metropolitan Municipality entered into a service concession and Lease Agreement with the Concessionaire Interdent Management Services (Pty) Ltd. This constitute a Public-private partnership, reference on note 23 Service concession arrangements. "

### 72. Financial instruments

#### Categories of financial instruments

#### 2020

#### Financial assets

	At fair value	At amortised cost	Total
Investments	-	631 159 289	631 159 289
Other receivables	-	737 155 264	737 155 264
Consumer receivables	-	14 940 645 773	14 940 645 773
Cash and bank	-	216 844 655	216 844 655
Long term receivables	-	133 777 540	133 777 540
Interest rate swap asset	31 298 484	-	31 298 484
Redemption fund asset	1 796 491 042	-	1 796 491 042
	<b>1 827 789 526</b>	<b>16 659 582 521</b>	<b>18 487 372 047</b>

\* See Note 62

# City of Tshwane Metropolitan Municipality

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	2020	2019 Restated*	
<hr/>			
72. Financial instruments (continued)			
<hr/>			
Financial liabilities			
	At fair value	At amortised cost	Total
Retention creditors	-	547 032 262	547 032 262
Payables from exchange transactions	-	6 300 191 552	6 300 191 552
Consumer deposits	-	673 376 886	673 376 886
Loans and bonds: term loans, bonds	-	12 094 233 938	12 094 233 938
Interest rate swap liability	413 339 043	-	413 339 043
Service concession arrangement	-	2 210 550 960	2 210 550 960
Bank overdraft	-	-	-
Lease liability	-	592 202 816	592 202 816
	<hr/>	<hr/>	<hr/>
	413 339 043	22 417 588 414	22 830 927 457

\* See Note 62

# City of Tshwane Metropolitan Municipality

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## Notes to the Annual Financial Statements

	2020	2019 Restated*	
<b>72. Financial instruments (continued)</b>			
<b>2019</b>			
<b>Financial assets</b>			
	At fair value	At amortised cost	Total
Investments	-	3 619 286 445	3 619 286 445
Other receivables	-	833 330 053	833 330 053
Consumer receivables	-	3 573 454 946	3 573 454 946
Cash and bank	-	258 404 158	258 404 158
Long term receivables	-	155 087 702	155 087 702
Redemption fund asset	1 172 713 805	-	1 172 713 805
	<b>1 172 713 805</b>	<b>8 439 563 304</b>	<b>9 612 277 109</b>
<b>Financial liabilities</b>			
	At fair value	At amortised cost	Total
Retention creditors	-	557 957 024	557 957 024
Payables from exchange transactions	-	5 186 597 061	5 186 597 061
Consumer deposits	-	558 775 598	558 775 598
Loans and bonds: interest rate swaps	-	6 507 636 534	6 507 636 534
Loans and bonds: term loans, bonds	-	5 062 054 794	5 062 054 794
Service concession arrangement	-	1 950 798 298	1 950 798 298
Finance lease obligation	-	828 667 924	828 667 924
Interest rate swp liability	219 999 785	-	219 999 785
	<b>219 999 785</b>	<b>20 652 487 233</b>	<b>20 872 487 018</b>

### Disclosure note amounts compared to financial instruments disclosure and financial instruments: risks involved disclosure:

The disclosure in note 72 and note 73 will differ from what is disclosed in the statement of financial position due to the definitions and requirements of GRAP 104 as not all line items on the statement of financial position constitute a financial instrument as per the definitions of GRAP 104. For example consumer receivables, other receivables and payables from exchange transactions consist of items that do not meet the definition of a financial instrument and these items are therefore excluded in the aforementioned notes.

### 73. Financial instruments: Risks involved

#### Risks

In running its operations the city is exposed to variety of financial risks: market, liquidity, credit and interest rate risks. Section 62.(1)(c)(i) Of MFMA states that the Accounting Officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control in response to this the City adopted National Treasury Public Sector Risk Management Framework and is committed to the effective management of the risks. The process is called risk monitoring and control. It involves monitoring the identified risks including the above mentioned financial risks, identifying new risks, and evaluating the overall effectiveness of the risk management plan in reducing the risks.

The Group Financial Services is committed to the effective management of the financial risks, with Treasury office responsible for management of market, liquidity, and interest rate risks. The Revenue office is responsible for credit risk management. In the course of the municipality's business operations it is exposed to interest rate, credit, liquidity and market risk. The Municipality has developed a comprehensive risk management process to monitor and control these risks. The risk management process relating to each of these risks is discussed under the headings below.

There was no change in the exposure to risks and how they arise since the previous financial year, with the exception for the impact of the COVID-19 pandemic which also contributed towards the credit risk due to the effect that it had on consumers' ability to pay for their municipality accounts. The objectives, policies and processes for managing the risk and the methods used to measure the risk since the previous financial year remained the same.

\* See Note 62

# City of Tshwane Metropolitan Municipality

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### 73. Financial instruments: Risks involved (continued)

#### Financing risk

Financing risk refers to the City's inability to control its monetary policy and defaulting on bonds or other debt issues. Borrowings

could become more difficult or more costly in the future. The City's targeted weighted average cost of borrowing for the MTREF is set at 9.9% per annum and as per the June 2019 audited annual financial statements, the result was 9.9% meaning that the City is managing its cost of borrowing prudently.

#### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will be negatively affected by the adverse changes in interest rates. Interest rate risk arises from the fluctuations in the economic market due to the economic climate. The Municipality manages its interest rate risk by maintaining an appropriate mix between fixed and floating interest rate borrowings and investments, as well as by entering into interest rate swap contracts on outstanding borrowings. The Municipality's exposure to interest rate risk and the effective interest rates on financial instruments at statement of financial position date are as follows:

The City has significant exposure to interest rate risk due to the volatility in South African interest rates, fluctuations in interest rates on bonds issued and short-term investment will impact the City's cash flow negatively. The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. The Municipality's policy is to maintain approximately 60% of its borrowings in fixed rate instruments. Although the interest rate swap for the past 2 financial years showed an estimated net loss, it will average out over the long term as the interest rate swaps were taken up for periods ranging between 9 to 20 years.

#### Mitigation factors -

The City has adopted smoothing, maintaining a balance between fixed interest rates and floating interest rates on different instruments. The city also uses Interest rate swap to manage the risk –

Variable rate loans : R 8 097 074 967 (2019: R6 230 460 474) and

Fixed rate loans: R3 997 158 972 (2019: R5 339 769 946)

There was no change in the exposure to risks and how they arise since the previous financial year. There was further no change in the objectives, policies and processes for managing the risks and the methods used to measure the risks.

\* See Note 62

# City of Tshwane Metropolitan Municipality

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## Notes to the Annual Financial Statements

	2020				2019 Restated*	
Description	Floating rate		Fixed rate		Non-interest bearing	
	Amount	Amount	Weighted average effective interest rate %	Weighted average period for which rate is fixed Years	Amount	Weighted average period until maturity Years
<b>Assets</b>						
Investments	365 284 122	265 875 168	5,34	-		631 159 290
Long-term receivables:						
Housing loans		11 464 609	13,87	30,00		11 464 609
Sport club loans		1 019 744	11,99	10,00		1 019 744
Sale of land		109 059 607	11,09	5,00		109 059 607
Arrangement debtors		89 092 690	10,13	3,00	-	89 092 690
Trade receivables:						
Consumer		8 366 335 183	10,13	1,00	3 685 033 091	12 051 368 274
Other					1 336 144 477	1 336 144 477
Cash and bank		216 844 655				216 844 655
Interest rate swap asset		31 298 484				31 298 484
Redemption fund asset	1 796 491 042					1 796 491 042
<b>Total financial assets</b>	<b>2 161 775 164</b>	<b>9 090 990 140</b>			<b>5 021 177 568</b>	<b>16 273 942 872</b>
<b>Liabilities</b>						
Interest bearing borrowings	2 486 588 407	3 100 000 000	10,04			5 586 588 407
Interest rate swaps (notional amounts)	890 312 488	5 617 324 086	9,75	11,80		6 507 636 574
Lease liabilities	592 202 816					592 202 816
Trade payables:						
Creditors					6 300 191 553	6 300 191 553
Retention					547 032 262	547 032 262
Consumer deposits					673 376 886	673 376 886
Service concession arrangements					2 210 550 960	2 210 550 960
Interest rate swap liability		413 339 043				413 339 043
Redemption fund liability						
<b>Total financial liabilities</b>	<b>3 969 103 711</b>	<b>9 130 663 129</b>			<b>9 731 151 661</b>	<b>22 830 918 501</b>

\* See Note 62

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

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### 73. Financial instruments: Risks involved (continued)

Year ended June 2019

Description	Floating rate		Fixed rate		Non-interest bearing		Total
	Amount	Amount	Weighted average effective interest rate %	Weighted average period for which rate is fixed	Amount	Weighted average period until maturity	
				Years		Years	
<b>Assets</b>							
Investments	3 616 144 078	3 142 367	16,45	24,75			3 619 286 445
Long-term receivables:							
Housing loans		10 990 612	13,87	30,00			10 990 612
Loans to sport clubs		1 004 151	11,99	10,00			1 004 151
Sale of land		73 701 316	11,09	5,00			73 701 316
Arrangement debtors		699 444	10,25		146 120 166		146 819 610
Trade receivables:							
Consumer		6 212 849 238	10,25	1,00	2 458 574 479		8 671 423 717
Other					1 334 333 184		1 334 333 184
Cash and bank		264 614 430					264 614 430
Redemption fund asset	1 172 713 805						1 172 713 805
<b>Total financial assets</b>	<b>4 788 857 883</b>	<b>6 567 001 558</b>			<b>3 939 027 829</b>		<b>15 294 887 270</b>
<b>Liabilities</b>							
Interest bearing borrowings	1 845 986 267	3 216 068 527	10,37	5,70			
Interest rate swaps (notional amounts)	890 312 448	5 617 324 086	9,75	11,80			6 507 636 534
Lease liabilities		840 205 029					840 205 029
Trade payables:							
Creditors					5 037 690 437	0,08	5 037 690 437
Retention					557 957 024	1,00	557 957 024
Consumer deposits					558 775 597	0,08	558 775 597
Service concession arrangements					2 013 794 590		2 013 794 590
Interest rate swap liability		219 999 785					219 999 785
<b>Total financial liabilities</b>	<b>2 736 298 715</b>	<b>9 893 597 427</b>			<b>8 168 217 648</b>		<b>15 736 058 996</b>

\* See Note 62

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

	2020	2019 Restated*
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### 73. Financial instruments: Risks involved (continued)

#### Interest rate swaps

The Municipality has entered into interest rate swap contracts that entitle it to receive interest at fixed rates/floating rates on notional principal amounts and that oblige it to pay interest at variable rates/fixed rates on the same amounts. The interest rate swaps allow the Municipality to raise long-term borrowings at fixed rates/floating rates and effectively swap them into variable rates/fixed rates in terms of the structured finance contractual requirements. The estimated fair value gain/(loss) indicated below was determined by comparing the interest rate swap contracted values (fixed rate) with the variable rate paid.

At the reporting date the Municipality had entered into the following interest rate swaps relating to specific statement of financial position items:

	Fair value	Estimated fair value gain/(loss)
<b>30 June 2020</b>		
current asset interest rate swaps	31 298 484	31 298 484
Non-current liability: interest rate swap liability	(413 339 043)	(193 339 258)
	<b>(382 040 559)</b>	<b>(162 040 774)</b>
	Fair value	Estimated fair value gain/(loss)
<b>30 June 2019</b>		
Non-current liability: interest rate swap liability	-	(47 235 142)
	(219 999 785)	(137 129 614)
	<b>(219 999 785)</b>	<b>(184 364 756)</b>
<b>Change in estimated fair value</b>		
non-current asset interest rate swap	31 298 484	(47 235 142)
non-current liability interest rate swap	(193 339 258)	(137 233 702)
Movement	(162 040 774)	(184 468 844)
	<b>(324 081 548)</b>	<b>(368 937 688)</b>

#### Redemption fund

The redemption fund is a financial solution to assist the City of Tshwane to meet its financial obligations to repay previously issued bonds. The City made use of the service of a third party fund manager for two thirds of the 2018/19 financial year. However the strategy that was adopted and approved by the City of Tshwane still remains in force for its intended duration without any deviation. The City of Tshwane pays contributions into the fund so as to enable the Municipality to receive contributions plus growth to repay redemptions of bonds when they fall due. This is part of the risk management framework adopted by the City of Tshwane. The financial liabilities of the fund are disclosed in Note 7.

	Fair value R	Estimated fair value gain/loss R
<b>30 June 2020</b>		
Assets: other financial assets - redemption fund	1 796 491 042	182 784 700
	Fair value R	Estimated fair value gain/loss R
<b>30 June 2019</b>		
Assets: other financial assets - redemption fund	1 172 713 805	232 612 059
Liability: other financial assets - redemption fund	-	(122 119 783)
	<b>1 172 713 805</b>	<b>110 492 276</b>

\* See Note 62

# City of Tshwane Metropolitan Municipality

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## Notes to the Annual Financial Statements

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### 73. Financial instruments: Risks involved (continued)

#### Currency risk

The Municipality undertakes certain transactions that are denominated in foreign currencies, hence exposures to exchange rate fluctuations might arise. However, the group manages this risk by entering into contracts where the risk is carried by the service provider. The City experiences currency risk predominantly as a result of one contract entered into by the City, as a result of timing differences between the date of invoice and date of payment.

#### Credit rating

As an issuer of long and short term debt instruments to banks and institutional investors in the Debt Capital Market, the City has to undergo independent credit rating assessments, to determine its creditworthiness and its financial ability to make more debt issuances and to repay them. The City has appointed Moody's Investors Service, an approved credit rating agency to perform credit rating assignments on the City's credit profile and issue credit rating opinions, in terms of the Financial Sector Conduct Authority regulations.

During the financial year under review (2019/20), an annual rating action by Moody's Investors Service was issued on 1 April 2020. Although the outlook of the City was revised by Moody's from stable to negative, the Baseline Credit Assessment (BCA) was affirmed and maintained as a rating of ba1 and the long term Global Scale Ratings (GSR) as Ba1.

Per the rating action, the affirmation of City's Ba1 rating by Moody's reflected the improvement made in the liquidity profile as well as the declining debt levels. The cash and cash equivalents balance improved from ZAR3.4 billion in 2018 to ZAR4.8 billion in 2019, while debt levels to operating revenue declined to 32% in 2019 from 34% in 2018 and the city projects its debt levels to further decline in the next three years. The city also posted an improved gross operating balance to operating revenue of 8.5% in 2019 from 7.4% in 2018. The City has a flexible debt structure which consists of 20% bullet bonds maturing in 2023 and 2028 respectively which are covered by sinking fund investments while 80% of the total debt consist of amortising debt profiles.

Subsequent to year end, Moody's issued another rating in September 2020 the details of which are noted under note 58

#### Credit risk

The risk that one party to a financial instrument will cause a financial loss for the other party by defaulting. The defaulting Consumer receivables on exchange transactions exposes the City to credit risk. The credit risk is very limited due to the nature of the municipality's business and its reliance on government grant as the main source of security funding. The city has Credit Control and Debt Collection Policies to manage the exposure to risk as a result of defaulting customers. Credit control is those managerial, administration and accounting policies the City applies to keep the exposure at a sustainable level while Debt collection is the actual remedies the City takes to enforce the collection of the amounts due and payable to the municipality.

Financial assets, which potentially subject the Municipality to the risk of non-performance by counter-parties and thereby subject the Municipality to concentrations of credit risk, consist mainly of trade receivables. Credit risk is controlled through the application of a credit control policy and monitoring procedures. Where necessary, the Municipality obtains appropriate deposits and guarantees from debtors to mitigate risk. The Municipality's cash and cash equivalents and short-term deposits are placed with high-credit quality financial institutions.

The Municipality limits its treasury counter-party exposure arising from the money market by only dealing with well-established financial institutions confirmed by the rating agency appointed by the Chief Financial Officer. The Municipality only deals with financial institutions with a short-term credit rating of A+ and long-term credit rating of AA- and higher at an international accredited credit rating agency. The Municipality's exposure is continuously monitored and the aggregate value of transactions concluded is spread amongst different types of approved investments and institutions.

Credit risk with respect to trade receivables is limited due to the large number of customers comprising the Municipality's customerbase and their dispersion across different industries and geographical areas. The Municipality does not have any significant exposure to any individual customer or counter-party. Accordingly, the Municipality does not consider there to be any significant concentration of credit risk, which has not been adequately provided for. Trade receivables are presented net of the allowance for impairment. The consumer receivables as presented do not include any debt relating to property rates, as property rates do not meet the definition criteria for financial instruments. Strict credit control procedures are in place to mitigate the credit risk relating to trade receivables. Maximum exposure to credit risk: There has been no significant change during the financial year, or since the end of the financial year, to the municipality's exposure to credit risk, the approach to measurement or the objectives, policies and processes for managing this risk. The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking into account the value of any collateral obtained. The major concentrations of credit risk (as a percentage) that arise from the Municipality's receivables in relation to customer classification are as follows:

\* See Note 62



# City of Tshwane Metropolitan Municipality

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### 73. Financial instruments: Risks involved (continued)

	30 June 2020	30 June 2019
Consumer receivables:		
Household	47	51
Industrial/Commercial	29	24
National and provincial government	7	4
Other consumer receivables	3	3
Long-term receivables	2	2
Sundry receivables	12	16
	<b>100</b>	<b>100</b>

#### Liquidity risk

The risk that the City may encounter difficulties in raising sufficient funds in meeting its obligations and commitments that are due and payable within 12 months. Availability of adequate resources to meet the City's obligations in the needs of its capital and operating expenditure, creditors at large including employees is critical for the city to continue as a going concern of which cannot be compromised. The Municipality manages liquidity risk through proper management of working capital, capital expenditure and monitoring of actual versus forecasted cash flows. Adequate reserves, liquid resources and unutilised borrowing facilities are also maintained. In terms of its borrowing requirements, the municipality ensures that adequate funds are available to meet its expected and unexpected financial commitments. In terms of its long-term liquidity risk, a reasonable balance is maintained between the period over which assets generate funds and the period over which the respective assets are funded. Capital expenditure, budgeted and forecast cash flow calculations are funded as follows from the capital market.

	June 2020	June 2019
Amounts payable within 1 year	R165,461,025.87	R218,371,166.91
Amounts payable between 2 and 5 years	R1,405,727,882.47	R2,025,970,784.89
Amounts payable between 6 and 10 years	R9,022,255,168.58	R9,325,349,377.70
Amounts payable within 11 and 20 years	R1,500,789,863.01	
<b>Total</b>	<b>R12,094,233,939.93</b>	<b>R11,569,691,329</b>

The City, through the Treasury office, manages this risk. The City established the redemption fund as a major safeguard towards the risk. The redemption fund is a financial solution to assist the City to meet its financial obligations. The fund was previously managed by a 3<sup>rd</sup> party of which this ceased as at February 2019 thus the fund is currently operated by a financial institution.

Other mitigating factors -

The City has also adopted a Financial Sustainability Plan (FSP) in order to ensure that there is sufficient monitoring and mitigation of threats to financial sustainability with key focus on restructuring of the budget, implementing the revenue enhancement initiatives and commitment to stringent expenditure controls and cost containment particularly on non-essentials and non-revenue generating activities.

The municipality's risk to liquidity may result due to availability of funds to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments, credit facilities as well as monitoring of key financial indicators.

Cash flow forecasts are prepared to determine the City's cash needs and borrowing facilities are monitored closely.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored

	30 June 2021	30 June 2022	30 June 2023
External funding (borrowing): capital expenditure	1 500 000 000	1 500 000 000	1 500 000 000
Grant funding: capital expenditure	2 124 310 090	1 530 281 745	1 555 965 285

#### Market risk

The Municipality is exposed to fluctuating market prices inherent in the purchasing of electricity, water and coal used in the delivery of electricity and water services. The Municipality manages this risk by giving any price increases through to the consumers on an annual basis. An agreement has been entered into with both Eskom and Rand Water that tariff increases occur only once a year. Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of market factors. The cornerstones of market risks are currency risk, interest rate risk and price risk. Market risk cannot simply be eliminated through diversification, though it can be hedged against in other ways. The city applies the following mitigation factors to market risk-

\* See Note 62

# City of Tshwane Metropolitan Municipality

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### 73. Financial instruments: Risks involved (continued)

The City investments are diversified amongst the well-established financial institutions. The City abides by National Treasury's investment regulations and the City's Investment policy. Interest rate risk management: The Municipality's interest rate profile consists of fixed and floating rate loans and bank balances which expose the municipality to fair value interest rate risk and cash flow interest rate risk and can be summarised as follows:

#### Financial assets/liabilities:

Trade and other receivables/payables: At a fixed rate of interest. Management manages interest rate risk by negotiating beneficial rates on floating rate loans and where possible using fixed rate loans. Management also has a policy of balancing the interest on asset loans with the interest payable on liabilities.

#### Fair values

The Municipality's financial instruments consist mainly of cash and cash equivalents, trade receivables, investments, consumer

payables, long-term debt and derivative instruments (interest rate swaps). No financial asset was carried at an amount in excess of its fair value and fair values could be reliably measured for all financial assets that are available-for-sale or held-for-trading. The following methods and assumptions are used to determine the fair value of each class of financial instrument.

#### Cash and cash equivalents

The carrying amount of cash and cash equivalents approximates fair value due to the relatively short-term maturity of these financial assets and financial liabilities.

#### Trade receivables (debtors)

The carrying amount of trade receivables, net of provision for impairment (provision for bad debt), approximates fair value due to the relatively short-term maturity of these financial assets.

#### Investments

Investments are carried at their original cost in the statement of financial position, except for those where the interest received semi annually are capitalised. The fair value of publicly traded instruments is based on quoted market prices for those investments.

#### Trade payables

The carrying amount of trade payables approximates fair value due to the relatively short-term maturity of this financial liability.

#### Interest-bearing borrowings

Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in surplus or deficit over the period of the borrowings on an effective interest basis. The fair value of interest bearing borrowings with variable interest rates approximates their carrying amounts.

#### Derivatives (interest rate swaps)

Derivative financial instruments (interest rate swaps) are initially measured at fair value on the contract date and are re-measured to fair value at subsequent reporting dates..

\* See Note 62

# City of Tshwane Metropolitan Municipality

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## Notes to the Annual Financial Statements

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### 73. Financial instruments: Risks involved (continued)

Year ended	Fair value	Carrying amount
<b>30 June 2020</b>		
<b>Liabilities</b>		
Interest rate swaps	413 339 043	413 339 043
<b>30 June 2019</b>		
<b>Liabilities</b>		
Interest rate swaps (restated)	219 999 785	219 999 785

#### Capital risk management

The municipality's objectives when managing capital are to safeguard the municipality's ability to continue as a going concern in order to maintain an optimal capital structure to reduce the cost of capital. The capital structure of the municipality consists of debt, which includes the borrowings (excluding derivative financial liabilities) disclosed in Note 19 and 20 and cash and cash equivalents disclosed in Note 9, and equity as disclosed in the statement of financial position.

Consistent with others in the industry, the municipality monitors capital on the basis of the gearing ratio. There are no externally imposed capital requirements. There have been no changes to what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year. The gearing ratio at 30 June 2020 and 30 June 2019 respectively were as follows:

There are no externally imposed capital requirements.

The gearing ratio at 30 June 2020 and 30 June 2019 respectively were as follows:

<b>Total borrowings</b>			
Finance lease obligation	20	592 202 816	828 667 924
Long-term loans	19	12 094 233 938	11 569 691 328
		<b>12 686 436 754</b>	<b>12 398 359 252</b>
Less: Cash and cash equivalents	9	216 844 655	258 404 158
Net debt		12 469 592 101	12 139 955 095
Total equity		26 264 504 838	29 345 823 449
<b>Total capital</b>		<b>38 734 096 939</b>	<b>41 485 778 544</b>

\* See Note 62

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

### 74. Jointly controlled assets

#### Interactive Digital Centre Hub

On the 5<sup>th</sup> of December 2015 City of Tshwane entered into an agreement with EON Reality Inc. to establish an Interactive Digital Centre Hub in the city. This agreement was for a three year period and could be renewed for a further 2 years pending the City of Tshwane's approval. Both parties, EON Reality Inc. and the City of Tshwane jointly control the Interactive Digital Centre Hub and the payment structure outlines that both the City of Tshwane and EON Reality Inc. contribute 50% each towards the acquiring of equipment and other resources and/or assets to establish the IDC Hub, however the ownership structure as per the agreements states that City of Tshwane owns 100% of Interactive Digital Centre Hub infrastructure. Contribution obligations were outlined as a cash contribution by the City of Tshwane of \$6 582 511 (R74 342 879, 23) and asset donations to the same value by EON Reality Inc.

The City of Tshwane paid an amount of R74 000 000 on 6 August 2015. Assets to the value of R64 460 021, 93 were verified to have been received at the Interactive Digital Centre Hub at Tshwane Leadership Management Academy on 4 April 2016 delivered by EON Reality Inc. whilst an amount of R2 377 073,71 was expensed.

A Debtor was raised to the amount of R7 162 904,36 owed by EON Reality Inc. pending the delivery of the remaining promised assets. Assets were capitalised at cost and depreciated accordingly at their respective useful lives. Depreciation for the year amounted to R61 671 583, 19 (2019: R15 080 302,35) and the carrying amount of Interactive Digital Centre Hub assets amounted to R4 019 324.69 for property, plant and equipment and R21 444 193, 49 (2019: R26 459 192,42) for intangible assets

### 75. Investment in joint venture

#### Tshwane Automotive Hub Special Economic Zone

During the 2019/20 Financial Year- 06 June 2020, City of Tshwane represented by Tshwane Economic Development Agency entered into a tripartite agreement with Department of Trade, Industry and Competition (DTIC) and Gauteng Department of Economic Development (GDED) for a duration of five years in order to establish a Special economic Zone in a form of Tshwane Automotive Hub Special Economic Zone (TAHSEZ) to industrialize the capital city and mitigate unemployment rates provincially and surrounding Tshwane.

A Special Purpose Vehicle was established namely TAHSEZ, City of Tshwane holds 33.3% shareholding in the SPV, the DTIC 33.3% and GDED 33.4%. City of Tshwane represented by TEDA is the land owners.

This agreement is material in nature hence the disclosure, however there was no impact in the 2019- 2020

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

### 76. Material losses

Material Losses	2019/20	2018/19
Opening balance	21 585 127	-
Theft and vandalism at Annlin reservoir	-	5 553 136
Theft and vandalism at Baviaansport waste water treatment works	-	3 904 346
Theft of funds due to Cyber-criminal conduct	5 300 000	12 127 645
Refilwe Manor Bulk Infrastructure vandalism	4 970 982	-
Recovery of funds cyber-criminal conduct	(9 312 118)	-
	<b>22 543 991</b>	<b>21 585 127</b>

2019/20

Refilwe Manor Bulk Infrastructure Vandalism

Makole Property Developments was appointed as a turnkey contractor responsible for the design, supervision and construction on the project. In November 2018, the construction was completed. The testing of the reservoir, and mechanical works of the pump stations (pump station 12 and 15) has been in progress to date however progress has been slow.

On the 21st of January 2020, a local subcontractor was deployed to site to finalise an audit of outstanding works at the pump stations. Upon arrival, they found that most of the work done has been vandalised

The estimated cost associated with damage and major items being stolen amounted to R 4 970 981.97

National Fund for Municipal Workers incident:

In August 2019, the payment of R53 million which was meant to pay the National Fund for Municipal Workers (NFMW) was fraudulently diverted to an unknown ABSA account. Banking details was fraudulently changed on a spreadsheet used to import bulk payments into ABSA system. The City became aware of the incident few days after payment date, where the fund contacted the City to find out about the outstanding payment. ABSA bank was contacted to investigate and to flag the account that received the payment. The funds were already withdrawn and only about 1% of the payment (R400k) was left in the account.

An investigation has been lodged with the Group Audit and Risk, Group ICT and South African Police Service (SAPS) to conduct investigations. SAPS has already tasked the HAWKS to investigate this case.

Theft of funds due to Cyber-criminal conduct that occurred in 2018/19

As at 31st March 2020, the City with the assistance of the bank managed to recover almost 80% of the transfer made as follows;

An amount of R318 616.70 received in April 2019

An amount of R9 312 118.71 received in January 2020

An insurance claim has been submitted for possible loss of R2 496 227.10 i.e. the balance not yet recovered

2018/19

Theft and vandalism at Annlin reservoir

A contractor was appointed to complete the reservoir outstanding works on 23 December 2015 for the construction duration of 10 months. The contractor did not achieve completion by the required date and was therefore put on penalties from 1 February 2017 until practical completion on 25 May 2017. The contractor was unable to complete the snag list and therefore abandoned site, leaving the project at 96% completed stage. Vandalism then occurred at the main valve chamber of the project on 8 January 2018, as a result the contractor was terminated on 12 April 2018.

The estimated vandalism and theft amount disclosed of R5 553 136 is based on the bill of quantities related to the entire reservoir chamber. However, the final assessment conducted by the assessor (who was retained by the insurance company) determined the value of the damage to specific items in the valve chamber to be R535 993.75. The Acting City Manager has instructed the City internal Forensic Service to conduct an investigation into this matter, the actual amount of the loss incurred by the City will be confirmed by the outcome of the investigation process.

Theft and vandalism at Baviaansport waste water treatment works (WWTW)

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

Vandalism and theft occurred specifically on the projects assets at baviaanspoort WWTW from May 2015 until June 2016. Assets of the Baviaanspoort WWTW were also vandalised during this period. All the incidents were reported to the South African Police Services (SAPS) and the City's insurance and the incidents have SAPS.t

The amount of R3 904 346 disclosed for theft and vandalism is an estimated figure and not actual, the matter is still under investigation and actual amount of the loss incurred by the City will be confirmed by the investigation process.

Theft of funds due to Cyber-criminal conduct

In December 2018, the City suffered an attack when effecting a payment of R12 million where the banking details were fraudulently diverted into an unknown bank account. This matter was referred to the City's internal Forensic department for investigation, the final investigation report has not been received. The matter was also reported to South Africa Police Services. The City with the assistance of the bank managed to recover almost 80% of the transfer made as follows;

An amount of R318 616.70 received in April 2019

An amount of R9 312 118.71 received in January 2020.

### 77. Other materials

#### Analysis of Other materials

Petrol and diesel fuel	159 778 187	142 757 853
Electric Reticu (MM)	89 135 408	73 787 308
Other	321 402 527	338 344 236
	<u>570 316 122</u>	<u>554 889 397</u>

# City of Tshwane Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

### 78. Disclosure on the impact of Covid-19

The City is aware of fiscal policies which were introduced by Government and there is none that has any bearing on the City's financial instruments. The SARB eased monetary policy through a cumulative repo rate reduction of 300 basis points. This move will reduce the City's cost of borrowing on existing and future loans. There are no new risks emanating from the recent actions of SARB.

The City has not defaulted on any of its obligations and it has not modified financial assets. The City has not suffered any credit losses, all its financial instrument counterparties are financial institutions whose long term credit rating is at least AA

There are no new risks arising as in the City's financial instruments as a result of COVID-19. The risk associated with the City's financial instruments are disclosed in the financial statements

The City has entered into a PPP agreement for finance lease for fleet. The interest rate in the PPP agreement is linked to the prime rate. With the fiscal measures introduced by the government in response to the Covid 19 pandemic, the prime rate had an impact on the interest rates for the finance lease. The PPP agreement was implemented in 2016, hence the fluctuations in prime rate did not have a significant impact as a large portion of the interest rates has already been repaid.

#### Impact on Revenue (Services Charges)

Due to the closure of certain industries during the National Lockdown actual income relating to service charges were 10.70% less than the projected revenue, with the highest impact on electricity charges.

Service Category	Budget	Actual	Variance	Percentage deviation
Service Charges: Electricity - 2020	13 439 601 866	11 758 546 831	1 681 055 035	12,5 %
Service Charges: Water - 2020	4 260 352 879	4 075 088 743	185 264 136	4,3 %
Service Charges: Sanitation -2020	1 170 639 796	1 203 880 511	(33 240 715)	(2,8)%
Service charges -refuse revenue-2020	1 687 669 170	1 323 457 997	364 211 173	21,6 %
	<b>20 558 263 711</b>	<b>18 360 974 082</b>	<b>2 197 289 629</b>	<b>- %</b>

Payment Level There has been a significant decrease in the level of payment during the 4th quarter. All business partner categories recorded lower payments between April 2020 and June 2020.

Quarter 3	Quarter 4	Variance	%Variance
6,667,299,362.57	5,035,232,957.50	1,632,066,405.07	-24.48%

#### Debtors Book

The year-on-year growth in the debtor's book is 36.52%. This is the highest year-on-year increase in the last 5 years.

#### Debt Impairment

The repayment probabilities for the various risk categories were adjusted based on the most recent payment behaviors which resulted in an increase of R3. 324 billion in impairments.

**City of Tshwane Metropolitan Municipality**

**Appendix H**

**Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003 (Supplementary unaudited information)**

Name of Grants	Name of organ of state or municipal entity	Opening balance	Correction of prior years	Transfers and Returned	Quarterly Receipts					Expenditure	Closing balance	Grants and Subsidies delayed/ withheld	Reason for delay/ withholding of funds	Compliant with the grant conditions in terms of grant framework in the latest DoRA/ Provincial Gazette
					Sep	Dec	Mar	Jun	Total			July to June		
<b>Capital Grants:</b>														
Integrated national electrification programme (INEP)	Department of Mineral & Energy (DME)	-	-	-	-	-	-	-	-	40 000 000	(40 000 000)	None	None	Yes
Urban Settlement Development (USDG)	Gauteng Provincial Department of Human Settlement	(50 891 019)	-	-	(334 203 000)	-	(978 279 610)	-	(1 312 482 610)	924 711 968	(2 288 085 597)	None	None	Yes
Public Transport Network Grant (PTNG)	Gauteng: Transport (GDoT)	-	-	(51 226 998)	151 536 000	151 536 000	149 814 011	-	452 886 011	458 185 679	(56 526 666)	None	None	Yes
Electricity Demand Side (EDSM)	Department of Mineral & Energy (DME)	-	-	-	-	7 000 000	3 000 000	-	10 000 000	256 546	9 743 454	None	None	Yes
LG Seta Discretionary grant	Department of Local Government	1 986 037	-	1 129 950	-	-	-	-	-	264 951	2 851 036	None	None	Yes
Integrated City Development	National Treasury	32 664 650	-	(32 664 650)	38 261 050	-	-	-	38 261 050	37 838 374	422 676	None	None	Yes
Community Libraries and Services	Gauteng: Sport, Arts, Culture & Recreation	5 557 911	-	(2 548 358)	6 038 000	-	-	260 000	6 298 000	9 307 553	-	None	None	Yes
Finance Management Grant (FMG)	National Treasury	-	-	-	-	-	-	-	-	-	-	None	None	Yes
Social Infrastructure Grant)	National Treasury	708 600	-	-	17 975 727	6 840 238	-	-	24 815 965	22 180 163	3 344 402	None	None	Yes
Neighbourhood Development (NDPG)	National Treasury	3 107 814	-	(3 107 814)	-	3 605 000	-	-	3 605 000	3 605 000	-	None	None	Yes
		(6 866 007)	-	(88 417 870)	(120 392 223)	168 981 238	(825 465 599)	260 000	(776 616 584)	1 496 350 234	(2 368 250 695)			



**City of Tshwane Metropolitan Municipality**  
**Appendix H**  
**Disclosures of Grants and Subsidies in terms of**  
**Section 123 MFMA, 56 of 2003 (Supplementary**  
**unaudited information)**

Name of Grants	Name of organ of state or municipal entity	Opening balance	Correction of prior years	Transfers and Returned	Quarterly Receipts					Expenditure	Closing balance	Grants and Subsidies delayed/ withheld	Reason for delay/ withholding of funds	Compliant with the grant conditions in terms of grant framework in the latest DoRA/ Provincial Gazette
					Sep	Dec	Mar	Jun	Total			Jun		
Operational grants/subsidies:														
Health: HIV/AIDS	Gauteng: Department of Health & Social Development	(696 579)	-	-	13 591 000	-	-	398 236	13 989 236	13 292 657	-	None	None	Yes
Primary Healthcare	Gauteng: Department of Health & Social Development	-	-	-	34 885 900	-	14 951 100	-	49 837 000	49 837 000	-	None	None	Yes
Emergency Medical Services (EMS)	Gauteng: Department of Health & Social Development	-	-	-	40 854 000	-	-	-	40 854 000	40 854 000	-	None	None	Yes
Human Settlement Development:Topstructure Housing (GLGH)	Gauteng:Local Government & Housing (GLGH)	253 589 420	-	-	-	-	22 800 000	-	22 800 000	66 020 085	210 369 335	None	None	Yes
Finance Management Grant (FMG)	National Treasury	-	-	-	2 650 000	-	-	-	2 650 000	2 650 000	-	None	None	Yes
LG Seta Discretionary Grant	Department of Local Government	1 372 049	-	(1 129 950)	1 129 950	-	-	-	1 129 950	-	1 372 049	None	None	Yes
Equitable share	National Treasury	-	-	151 272 000	999 217 000	648 101 000	599 530 000	-	2 246 848 000	2 398 120 000	-	None	None	Yes
Urban Settlement Development (USDG)	Cooperative Governance and Traditional Affairs (CoGTA)	-	-	9 633 630	38 534 580	-	-	-	38 534 580	48 168 210	-	None	None	Yes
Municipal Disaster Recovery	Department Local Government	1 447 865	-	(1 447 865)	-	-	-	-	-	-	-	None	None	Yes
Research & Technology Development	Department Local Government	74 688	-	(74 688)	-	-	-	-	-	-	-	None	None	Yes
Community Libraries Services	Gauteng: Sport, Arts, Culture & Recreation	-	-	1 980 993	3 402 000	5 560 000	-	-	8 962 000	8 105 678	2 837 315	None	None	Yes
TRT subsidy	Department of Roads and Transport	-	(15 496 386)	-	4 066 939	-	18 381 702	17 576 577	40 025 218	23 256 889	1 271 943	None	None	Yes
DBSA: Water conservation	Development Bank of South Africa	-	-	-	-	-	-	8 444 703	8 444 703	8 444 703	-	None	None	Yes
Tirelo Bosha	National Treasury	-	-	-	-	-	-	4 219 972	4 219 972	3 835 473	384 499	None	None	Yes
PTNOG	Gauteng: Transport (GDoT)	4 786 559	-	43 409 210	-	252 560 000	50 512 000	-	303 072 000	351 267 769	-	None	None	Yes
Gautrans	Gauteng: Transport	11 961 294	-	-	-	-	-	-	-	-	11 961 294	None	None	Yes
Equitable Share: Fuel levy	Department Local Government	-	-	-	483 040 000	483 040 000	483 041 000	-	1 449 121 000	1 449 121 000	-	None	None	Yes
Research and Development	Department of Public Service and Administration (DPSA)	-	-	-	-	-	-	-	-	-	-	None	None	Yes
EPWP	Department of Public Works	-	-	-	8 005 000	14 405 000	9 603 000	-	32 013 000	32 013 000	-	None	None	Yes
Integrated City Development	National Treasury	-	-	-	6 751 950	-	-	-	6 751 950	5 995 840	756 110	None	None	Yes
		272 535 296	(15 496 386)	203 643 330	1 636 128 319	403 666 000	1 198 818 802	30 639 488	4 269 252 609	4 500 982 304	228 952 545			
Revenue per Statement of Financial Performance (see note 25)		6 514 814 403	(15 496 386)									5 997 332 538		
Unspent conditional grants per Statement of Financial Position (see note 11)		(265 669 289)										(2 139 298 150)		